

Background

The City Council was one of the earliest authorities to outsource highways and transportation services, under VCT, starting in 1992. Between 1992 and 2001 various contracts were let leading to a point whereby the City Council's Transportation Services were being delivered through a relatively large number of consultants and contractors.

In 2001, with over ten years experience of using outsourced consultants and contractors, it was an opportune time for the Council to consider whether this format of contracts was delivering effective services for the community. It was therefore decided to undertake a 'Best Value Review' of Transportation Programme Delivery prior to commencing any new tendering. The outcome of the best value review focused particularly on how services should be packaged and delivered in the future.

A significant element of the review was, therefore, a detailed examination of the options for different contractual arrangements. It was also highly important, assuming some continuing form of outsourced provision, that under any new arrangements management information systems are developed to ensure unambiguous control of the programmes and the considerable financial resources.

Contract Procurement

The procurement strategy for these Contracts was developed following completion of the Best Value Review in October 2002.

A 'Negotiated Route' was determined as the appropriate procurement route for these services. The use of this route gave the opportunity to explore different service delivery solutions.

The tender process comprised:

- A preliminary qualification stage
- Invitation to Submit Outline Proposals (ISOP)
- Invitation to Negotiate (ITN) comprising the initial evaluation of priced bids and the outcomes of the two phases of negotiation
- Invitation to submit a Best and Final Offer (BAFO)

Service Levels were agreed through close working with the relevant Cabinet Members and a joint panel of Members from the City Council's Transportation and Infrastructure and City Management Overview and Scrutiny Committees.

The Contracts were awarded, for a period of 5 years commencing on 1 October 2004, by Cabinet on 19th July 2004 via a Joint Overview and Scrutiny Committee on 13th July 2004. Provision was made within the main contract agreement to enable an extension to the contract period to be granted by a period up to a maximum of an additional 10 years dependant upon performance and continuous achievement in value for money terms.

The contract was awarded significantly below existing budget in 2004/05, see table below:

	Budget (£'000)	Cost (£'000)	Variance (£'000)
Bridges & Structures			
Revenue	1,275	1,284	9
Capital	775	677	-98
Transportation Projects			
Revenue	718	812	94
Capital	6,360	5,315	-1,045
Total	9,128	8,088	-1,040

The overall saving of £1m was built into future budgets. However, the most significant saving was in respect of Transportation Projects funded by capital expenditure where a 16.5% reduction in cost was achieved.

The contract does not have a specific 'Contract Value' as it is a 'call off' contract and the value of work is dependent upon need and available finance.

Since the start of the contract capital expenditure has grown and is currently in excess of £15m per year. With this value of capital expenditure an annual efficiency saving of £2.95m is being achieved. The discount is built into future budget provision for individual projects.

In addition to the cost savings a range of service enhancements were included in the service specifications.

Continuous improvement - Financial

The contract has worked well and there have been no significant deficiencies in the way that the service requirements have been specified.

The only issue that did not work well was the use of a 'Target Performance Scheme' which was included within the contract to try and incentivise the service provider in respect of 'Large Projects'. A joint review was therefore undertaken to ascertain whether there was a more cost effective way to verify the extent of works actually carried out for all 'Large Projects' and to determine the most appropriate method of payment.

It was agreed that all 'Large Projects' would be 're-measured' upon their completion and their value determined using the rates and prices that are already included in the contract. However, an agreed discount percentage would be applied to the valuation thus providing the City Council with a pre-determined 'saving'. The extent of discount varies depending upon the value of each individual Project. The following table sets out the scale of discount:

<u>Value of Project</u>	<u>Discount</u>
£50k** – £99k	1.0%
£100k – £249k	1.5%
£250k – £349k	2.0%
£350k – £499k	3.0 %
£500k – £999k	4.0%
£1m – £1,999k	5.0%
£2m and over	6.0%

(Note: **The £50k Threshold is the nominal point at which a project is determined as 'Large'. This threshold is indexed in line with inflation)

This provides the City Council with certainty 'up-front' particularly in respect of future budgeting and control of expenditure and is far less onerous in monitoring terms.

As an example the Westbourne Green Redevelopment, Roads, Footpaths & Lighting Project – Estimated to cost £1.08m benefits from a 5% discount of £54,000.

Continuous improvement – Service enhancement

The City Council's service provider is committed to continuous improvement and is constantly looking at ways of improving its service. This process forms part of a quality management system whereby new ideas and lessons learnt from previous projects can be clearly captured and new ideas developed.

Since the commencement of the new contracts significant developments to the procedures and methods of working have been carried out. Some of these developments include:

- Improved and enhanced communication
- Improved financial management
- Improved flexibility of and access to resources
- Efficiency and quality of work programmes
- Value Engineering review process
- Sustainability & Maintainability Audits
- Re-cycling

A range of performance indicators are set within the contract to monitor various aspect of the service delivered. Performance Targets were set at the start of the contract and these have been exceeded continuously and have improved on a year by year basis.

Contact for further information

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