

## **Case Study**

## **Midlands Highway Alliance**

The Midland Highways Alliance (MHA) seeks to increase cross-authority working by promoting joint procurement of highways services and by identifying and embedding best practice. The collaboration will improve the procurement and delivery of six strands of highways services:

- Major capital highways schemes
- Capitalised maintenance and improvement schemes (Medium schemes)
- Professional services
- Highway term maintenance
- Commodities
- Skills academy

Participating highway authorities are:

Derby City Council	Derbyshire County Council
Highways Agency	Leicester City Council
Leicestershire County Council (Lead LA)	Lincolnshire County Council
Milton Keynes Council	Northamptonshire County Council
Nottingham City Council	Nottinghamshire County Council
Peterborough City Council	Rutland County Council
South Derbyshire District Council	Staffordshire County Council

The MHA shifted from “a good idea” to reality as a consequence of a procurement opportunity presented by the Highways Agency. Its “Midlands Works Framework 3” contract enabled local authorities to access its four contractors (Balfour Beatty/Birse, Carillion, Osbornes/Aggregate Industries, and Tarmac) for delivering structural maintenance and new highway schemes each valued at up to £8.0m. A “mini-competition” process was devised that enabled the local authorities to choose the most cost-effective framework contractors in an auditable way for each scheme. Due to its success, the OJEU limit was reached far earlier than conceived. As an interim solution to address fiscal stimulus, the Highways Agency re-procured and “MWF4” came into effect at the end of October 2009.

Through MHA membership, these “medium schemes” frameworks were (for MWF3) and are (for MWF4) available to all highway authorities, along with the Highways Agency, in the East and West Midlands Regions, together with those adjacent authorities in neighbouring regions. However, to better ensure applicability to all MHA members rather than a focus of motorway and trunk roads, the MHA has established its own contract – “Medium Schemes Framework 1” (MSF1) – for schemes up to £12m of a highway, civil and municipal engineering nature.

MSF1 has Balfour Beattie/Birse, BAM Nuttall, Ringway and Tarmac/Carillion as its four contractors, any of whom can be selected to deliver a scheme under a “Works Package”. Both the selection and performance assessment of scheme delivery focuses on 10 quality criteria which are:

- Q1 - product;
- Q2 - service;
- Q3 - right first time;
- Q4 - cost management;
- Q5 - time;
- Q6 - safety;
- Q7 - learning and development;
- Q8 - community;
- Q9 - traffic management; and
- Q10 – innovation and value for money (VFM)

These factors combine with a cost evaluation (given the 70:30 quality:cost ratio deployed) – tied to 6 cost model projects - to provide three different contractor selection options:

- Option 1: Direct Call-off (short process): Selection based on quality criteria weighted to suit the Work Package, with price based on tendered prices for a very similar model project;
- Option 2: Direct Call-off (long process): Selection based on quality criteria weighted to suit the Work Package, with price derived from a number of tendered model projects weighted to suit the Work Package;
- Option 3: Mini-Competition: Selection based on mini-competition (i.e. work is not sufficiently similar to model projects or by an employer’s choice).

By working together, the MHA aims to reap efficiency gains of up to 10%, speed up the procurement process, deliver schemes to a higher standard and improve cost certainty. The spend through MSF1 is expected to lie anywhere between £125million and £300million over four years as public bodies are placed under greater pressure to realise efficiency gains in the face of spending constraints.

At the core of the MSF1 contract is a “harmonized specification”, developed by merging the separate specifications of four of the MHA’s county council members and the intention is that this will become normalized for all MHA members across improvement and maintenance works. Although there has been no need as yet, the format of MSF1 could be replicated for major schemes.

The commodities workstream has already yielded notable benefits. A collaborative approach has led to substantial savings (£700k over three years) on highway salt in a supply framework procured by ESPO (Eastern Shires Purchasing Organisation) on behalf of both East and West Midlands local authorities. A new street lighting “lantern”

framework is now accessible via ESPO and the working group is looking to develop regional resilience for winter maintenance.

The highly successful and award-winning Three Counties Alliance Partnership (3CAP) set up by Nottinghamshire, Derbyshire and Leicestershire sees Scott Wilson acting as “sole supplier”. This model is now being broadened out to the MHA’s first “Professional Services Partnership” framework (PSP1) with commencement scheduled for early 2011. In the first two years of the 3CAP arrangement, £1m efficiency savings had been derived from £8.5million worth of commissions. A particularly notable piece of work has been the generation of “The Effect of Climate Change on 3CAP’s Highway Network Policies and Standards”.

A further strand of activity is promoting best practice in term maintenance and small improvement activities. A best practice model has been developed and each authority has been compared with this. The outcome, apart from an improvement ‘hit list’ for each authority, is a series of Alliance improvement activities to help authorities converge towards best practice. The intention is to develop a model term maintenance contract with a longer-term view of developing the MHA’s first “Term Maintenance Framework” (TMF1) to come into effect in 2012.

A particular feature of the MSF1 contract is the MHA’s development of a “Skills Academy” with the support of the National Skills Academy for Construction. The MHA is piloting the academy approach in the highways sector so as to upskill existing workforces (at both “blue and “white collar” levels) and bring in new recruits to the industry, aided by the likes of the Future Jobs Fund.

Higher quality projects are also a priority as the Alliance will share innovation and performance data across its members, improve working practices, and aid workflow throughout the supply chain. The Office of Government Commerce (OGC) has identified the MHA’s work as best practice and intends working with the MHA in the future to help ensure its practices are pursued beyond just the Midlands. Undoubtedly, the MHA’s predictions of generating £33.3million of efficiency savings by 2014 since its 2007 inception warrant replication wherever possible.

## **Contact for further information**

Mark Stevens

Assistant Director (Highways)

Environment and Transport Department

Leicestershire County Council

County Hall, Glenfield, Leicestershire, LE3 8RJ

0116 305 7966, Mob. 07970 300710

[mark.stevens@leics.gov.uk](mailto:mark.stevens@leics.gov.uk)