

Procurement of a Highways Services Contract 2008-2020

Northamptonshire County Council

About this Best Practice Case

This case provides as main learnings how Northamptonshire Country Council (NCC) used the competitive dialogue procedure to procure a new, more flexible highway, while considering innovations and sustainability goals. NCC also aimed at a better value for money through suppliers that are collaborative and aiming for partnerships. A dialogue was needed to ensure that potential suppliers understood the needs of NCC; therefore this procedure was chosen. With this contract, NCC did achieve their major goals like the reduction of CO₂, increased recycling, more efficient use of salt, fewer defects like potholes, etc.

Title: Procurement of Highway Service Contract
Cluster Topic: Other/Mobility Services
Country: UK
Procuring Authority: Northamptonshire Country Council
Procedure: Competitive Dialogue
Directive: 2004/18/EC
TED: 2006/S 179-190393
2006/S 46-048388
2006/S 46-048394

Northamptonshire Country Council: Procuring a long-term Highways Contract through the Competitive Dialogue Procedure

Key Points

- The competitive dialogue was chosen to discuss elements of the contract with bidders and build up a relationship between them and the council, which is particularly important for such a long-term contract.
- NCC used the best price-quality ratio as award criteria, including integration of innovation and collaboration as sub-criteria.
The highest proportion of the weighting of a sub-criterion was the collaborative approach of the bidder (45%).
- Before the tender, there wasn't a private sector solution available that provided the full mix NCC was looking for: consultancy, maintenance, scheme delivery required for the contract.
- The result of the tender was a multi-award winning strategic partnership between KierWSP and NCC which has not only seen successful infrastructure provision and maintenance, but also a fundamental change in the approach to road maintenance which is now over 90% proactive.

The Procurement Objectives

Brief description

Northamptonshire County Council (NCC), as public authority, is amongst other responsible for education, fire services, highways and public transport, minerals, social services, waste management and strategic planning in the county. The region has a population of 700,000 people.

For the citizens using the highways, NCC has to make sure that they secure service contracts that guarantee maintenance, winter service (salt), improvement and management of the highway as well as flexibility to possible changing conditions and this within a limited budget.

In 2006 NCC was faced with a lot of challenges. There were demographic changes coupled with "a change in the way people now expect to receive services and the most challenging financial climate for the public sector there has been for decades".

This led them to a “radical transformation of public service provision” to “meet the increasing needs of the people” in the country. This required public-private cooperation in all sectors. One of them was the highway services cooperation contract. This experience also provided considerations for this transformation of public sector provision in later years. NCC set up a plan to transform the organisation of the Council in general (Council Plan 2016-2020) and to move to more cooperation and innovation. The organisation changed towards a so called “next generation council” model, with a far smaller retained organisation (the new NCC Group), which is “right-sourcing and commissioning services from a new set of accountable organisations and social enterprises which will be owned, managed and run by current council staff with partners”.²⁶

Reasons for this procurement

At that time (2006) Northamptonshire County Council’s had an existing Highways contract with Atkins Global Ltd, which had run for a period of years and was due to terminate. It was necessary to go out to the market to gain best value for money for the next contract period. A short extension to the Atkins contract was given, to allow time for the procurement process. This opportunity was used by NCC to go for a competitive dialogue procedure, which was relatively new in the UK at that time. It gave NCC the possibility to rethink what they wanted to gain from a highway-service contract, also in terms of innovation and sustainability goals and in the context of its new organisation model. The dialogue allowed them to discuss contract aspects and the aim of the contract, the goals and other aspects with the bidders, which led to a better understanding on both sides.

The main aim of the new contract was to tender an integrated highway service contract for the management, maintenance and the overall improvement of the Northamptonshire road network. This encompassed a wide range of technical and operational services including the design and delivery of major highway infrastructure projects, maintenance, management and improvement of the highway assets, delivery of home to school transport, professional services and management advice.

The contract had to guarantee the flexibility to enable additional activities to be migrated in or out of NCC based on contractual terms, performance and future council strategy. The contract had to enable a new partnership working on trust and transparency. To monitor success, Northamptonshire County Council introduced key performance indicators (KPIs) in the contract. If KPIs are not met, financial penalties are incurred.

Innovative Aspects

What was procured is innovative:

Procuring not just a simple service contract, but a complex public-private cooperation was quite innovative. Also, combining a tender of a service with a whole administrative reform a public authority was a major challenge. Furthermore, the limited budget, increasing traffic and new expectations in services by the society were quite remarkable aspects in this case.

²⁶ Council Plan 2016-2020, Appendix A, p. 1-6. URL: <https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Documents/Council%20Plan/Council%20plan%202016.pdf>

The procurement process itself was innovative:

There was a need for dialogue to ensure the bidders understood what kind of cooperation NCC was aiming for and to make clear for the bidders what the goals were. Through the competitive dialogue, NCC changed the mind-set of the bidders enabling them to understand the contract and to draft compliant and competitive bids.

The Procurement Process

NCC decided to tender a long-term service contract (more than 5 years), because the contract was based on building a relationship (between public and private sector). Working in a partnership needs time to develop. Also the required efficiency, the innovative use of technology and the testing of new approaches needed time and evolve 'bed-in' before the saving and effectiveness could be realised. Furthermore the procurement process itself (the competitive dialogue) is very expensive and public authorities do not have the resources to do it again after a short period.

NCC published a prior information notice in March 2006 and published the contract notice in September 2006. The tender was advertised and between October and November 2006 six bidders were shortlisted and from them four were later invited to participate in the competitive dialogue.

As the competitive dialogue was quite new in the UK and just recently introduced, it is also important to note that it was also the first experience for the bidders with this approach to tendering, which is why more explanation was needed.

Procurement Procedure

Key Reasons for using the Competitive Dialogue in this Procurement

At the beginning NCC did not know how this new contract should look like. Competitive dialogue was chosen because it was a way to discuss with the bidders elements of the contract and the procurement process and to start to build up a relationship between the bidders and the Council. This was particularly important due to the long contract period with such an integrated service plan. It also allowed Northamptonshire County Council sufficient time and possibilities to consider and discuss different approaches and to arrive at the best solution. Other procedures allow this much less or not at all.

The **Competitive Dialogue** was chosen as the obvious procurement procedure for this organisational highly complex contract. However,

“Thanks to the competitive dialogue allowed building up a relationship between the public authorities and the bidder at an early stage.”

3: Quote from Interview with Esme Cushing

also the aim to find the best supplier, while achieving best value for money, led to the decision to use the competitive dialogue.

This also allowed Northamptonshire County Council to explore ideas with the bidders, this was particularly important to understand how the bidders understood and interpreted the challenges and proposals for innovation.

The Competitive Dialogue in Short

The competitive dialogue is a procedure that allows discussions with the potential bidders. This is often needed when tendering complex contracts, like it was the case here. More specific it is a two-stage process:

In the first stage the public procurer (contracting authority) is advertising the contract opportunity. The potential suppliers are asked to submit a request to participate and afterwards to submit so called “pre-qualification and selection stage information”. This information is checked by the public procurer to evaluate if the supplier is qualified to perform the contract. The qualified suppliers are invited to participate in the tender; the public procurer is allowed to limit the number of participants, which is for example necessary if the public procurer pays the suppliers a budget already for participation in the competitive dialogue like in the current case. The contracting authority will draw up a short list of suppliers that will be invited to participate in the next stage, which is the Competitive Dialogue itself.

The second stage is the competitive dialogue. The huge advantage of this procedure is that during this phase, all aspects of the project can be discussed with the selected suppliers and the number of possible solutions can be reduced as part of the process. Once the contracting authority (public procurer) is satisfied that it will receive proposals that will meet its requirements, it declares the competitive dialogue phase closed and invites tenders. Under this procedure, tenders can only be evaluated on the basis of the most economically advantageous tender.²⁷

The **contract award criterion** of the final tender was “the best price-quality ratio BPQR” based on the following sub-criteria:

Sub-criterion	Weighting
Collaborative Approach	45 %
Technical Criteria	15 %
Price	10 %
Legal and Commercial Criteria	35 %

²⁷ Procurement of Innovation Platform, Guidance for public authorities on Public procurement of Innovation, URL: https://www.innovation-procurement.org/fileadmin/editor-content/Guides/PPI-Platform_Guide_new-final_download.pdf

The highest proportion of the weighting was given to a collaborative approach, on developing a partnership relationship and on using innovative procedures and approaches. This was a fundamental pre-condition to enter into the contract.

Pro and Cons of the competitive dialogue

Asked about the pro and cons of using the competitive dialogue for this particular procurement, Esme Cushing, a principal transport planner at NCC, stated in the interview, that the competitive dialogue made it possible for NCC to build a relationship with the bidders already early on.

This was very important for NCC, since the tendered long-term contract required a huge effort of cooperation from the very beginning. Another positive aspect according to Esme Cushing is the fact that the competitive dialogue, being a dialogue based process, allows a mutual exchange of information and ideas in order to improve the contract, including economic aspects, as a whole.

One example was that they changed the contract to encompass one integrated package instead of the planned three lots. On the down-side, the process itself is very time consuming and expensive.

Key Results

The contract was awarded in January 2008. The Contract start date was 29th March 2008. The value of the contract was £ 320, 000, 000 over eight years with a possible extension of four years. The contract has since been extended, due to the positive experience, for the full four years up to March 2020. The extension has a value of £ 200, 000, 000 over four years.

Contract tendered

The contract has now been in operation for a number of years. The following key results have been identified:

- fewer defects for potholes (mostly permanent repairs – policy of ‘right first time’);
- reductions in CO₂ and increased recycling, including re-using materials from carriageway resurfacing;
- more efficient use of salt for gritting;
- forward funding of schemes – better approach to working and improved public perception of improvements;
- investment for mutual benefits, through the Control Hub set-up;
- undertaking and selling services to third parties under the Northamptonshire Highways brand is possible;
- early efficiency savings;
- safeguarding people and front line services;
- flexibility in the contract enabled in 2013 the full integration of the highways and transport service (with the transfer of staff to the private sector service provider)

which has created a lean client (around 20 individuals remain employed by the County Council);

- mutual respect;
- mutual trust;
- transparency and openness;

Key Lessons Learnt

1. Using **the procurement procedure competitive dialogue is very resource demanding** and also needs much for explanation to the suppliers (bidders) as they also were not familiar with this procedure.

2. **A good relationship between private companies and public authorities** can be achieved through the possibility to cooperate and exchange information within the procedure.

3. **There was only limited time in the sessions to talk to each supplier.** Adequate time-resources should be planned already from the beginning.

4. The **cooperation approach as highest weighted sub-criterion with 45%** helped significantly to achieve the planned goals.

5. The competitive dialogue allowed NCC to explore ideas with the bidders. This was particularly important to **understand how the bidders understood and interpreted the challenges** and proposals for innovation.

6. NCC was firstly aiming for a then der divided into three lots, but the dialogue showed that this was not needed and that the suppliers can fulfil the goals within one large integrated service contract. Therefore the **information, gained helped the procurers to optimise the tender documentation.**

References and Further Information:

1. The main reference for this best practice case is the interview with Esme Cushing, Principal Transport Planner, Northamptonshire Country Council

2. Council Plan 2016-2020, Appendix A,

<https://www3.northamptonshire.gov.uk/councilservices/council-and-democracy/performance-and-plans/Documents/Council%20Plan/Council%20plan%202016.pdf>

3. Procurement of Innovation Platform, Guidance for public authorities on Public procurement of Innovation, URL:

https://www.innovation-procurement.org/fileadmin/editor-content/Guides/PPI-Platform_Guide_new-final_download.pdf

4. Competitive Dialogue step by step:

<https://www.google.at/url?sa=t&rct=j&q=&esrc=s&source=web&cd=9&ved=0ahUKEwjEhrmlto bUAhWLVrQKHSyDBsYQFghfMAG&url=http%3A%2F%2Fwww.apuc-scot.ac.uk%2Fuploads%2Fdocs%2FSM%2520-%2520Competitive%2520Dialogue%2520Procedure.doc&usg=AFQjCNGp2ZKwOPzBinp8RXs4sgBN2Qlj8Q&cad=rja>