

# Somerset/ Devon/ Plymouth Collaborative Highways Term Maintenance Contract

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# SKANSKA

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# Overview

## SCC:

- Background
- Objectives
- Contract details
- Procurement process
- Outcomes
- Benefits
- Lessons learned



## Skanska:

- Overview
- Benefits of a collaborative approach
- Procurement procedure
- Collaboration opportunities
- Challenges and learning

# Background

- Highway services are a large area of spend with high community expectations, and support economic activity.
- Local authority grant funding – uncertain future with need to be flexible and agile – Devolution.
- Rising construction costs with construction skills in short supply.
- Many local authorities reducing services to statutory minimum.
- Seeking efficiency, commercialisation and income generation.
- Need to learn from others and adopt best practice (HMEP).
- Private sector partners key role in helping manage these issues.



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# Background

- **2014:**
  - Strategic sourcing discussions and optioneering within the three authorities and within South West Highways Alliance.
- **April 2015:**
  - SCC Cabinet agreed collaborative procurement strategy.
  - Initially with Devon – Risk management via separate ‘lots’ for each authority with practices to be harmonised where possible.
- **June 2015:**
  - Somerset, Devon and Plymouth agreed to collaborative procurement.
- **December 2015:**
  - Formal collaboration agreement.

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# Objectives

- Provide the best possible highway services.
- Minimise potential cost increase.
- Obtain the best possible value for money.
- Improve ways of working and efficiency.
- Opportunity for single provider and 'economies of scale' efficiencies and synergies.
- Providers to collaborate.
- In-contract improvement and efficiency.
- No authority to be worse-off as a result of collaborating.

# Contract Details

- 7 years extendable to 10 based on KPI performance.
- Indicative combined volume £65m per annum.
- PCC (£9m), DCC (£35m), SCC (£21m).
- Contract notice up to £1.2bn.
- Individual lots & contracts for each authority.
- Based on common contract terms and specs.
- Invited 'multi-lot' bids - for more than one authority.
- Any multi-lot tenders accompanied by separate tenders for the individual authorities.



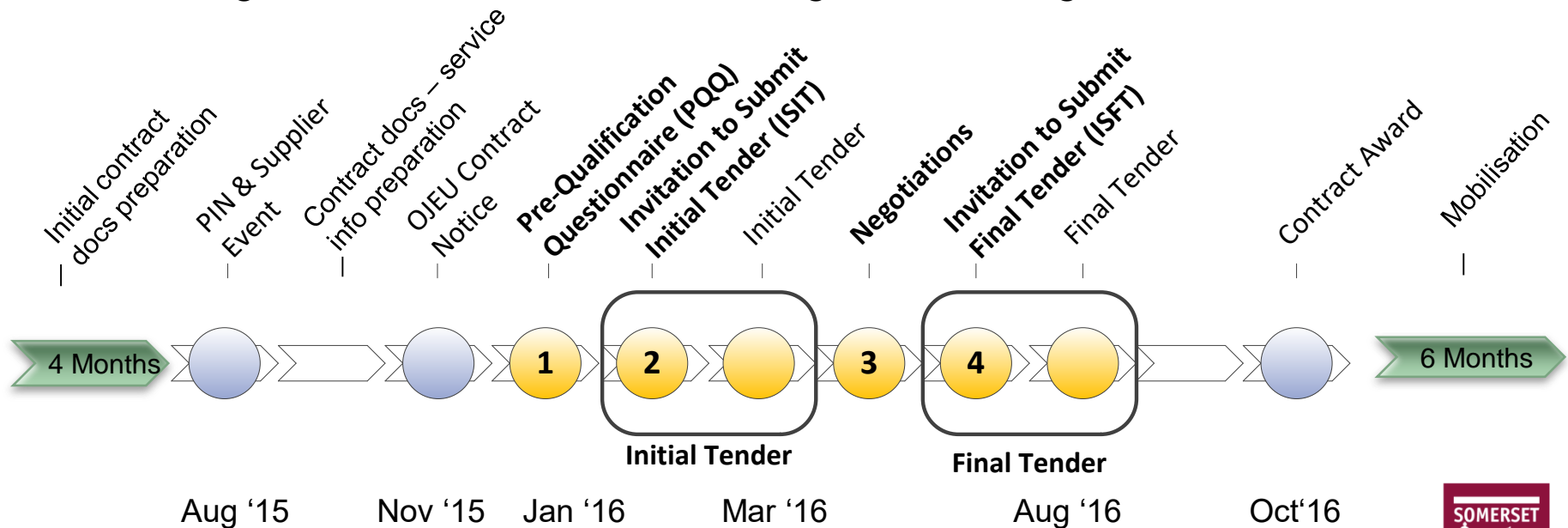
# Procurement process pre-OJEU

- Change in procurement regulations.
- Large amount of up-front work to develop contract documents.
- Aligned/ converged as far as possible:
- Specifications.
- Service information.
- Methods of measurement.
- Clarified areas that could not be aligned and why.
- Opportunity to pick the best/ most cost effective practice from each.
- Developed evaluation process to assess bids on price, quality and ‘additionality’, and to deal with multi-lot bids.

# Procurement Procedure

## Competitive Process with Negotiation Procedure.

- *A need for design or innovation.*
- *Necessary because of the complexity, legal or financial make-up or risks of the project.*
- *Specification cannot be established with sufficient precision.*
- *Right to award at initial tender stage and not negotiate.*



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# Outcome

- The most economically advantageous tenders for each authority were single-lot bids.
- Devon – Skanska
- Somerset – Skanska
- Plymouth – South West Highways
- Completed mobilisation started on 1 April 2017.



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# Some of the benefits

- Significant procurement cost savings through joint approach.
- Shared expertise through the process.
- Contractors and employers required to collaborate to drive efficiency.
- Standard terms and conditions and key commercial principles.
- Aligned on many aspects of the specifications and methods.
- Supply-chain relationship.
- Agreed plan to create social value for local communities.
- Majority of supply chain spend to remain in the local economy.
- Undertake educational visits to schools and colleges across Somerset promoting site safety and construction as a career choice.
- Develops opportunities for commercialisation of the highways service.
- Year-on-year cost savings using lean process improvements to drive waste from service provision.
- Innovation Fund to promote development of new materials and construction techniques and introduce an IdeasApp.

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# Key Lessons learned

- Be clear what the benefits of collaboration are before entering into it - adds complexity and many other pressures.
- Risk management moved things forward – separate lots and ‘no-one to be worse off’ were key.
- Get a formal collaboration agreement as early as possible and don’t underestimate the time needed to agree this.
- Don’t underestimate the time needed to align ways of working – need experts at the table with decision making powers!
- Good formal governance and informal relationships essential in overcoming hurdles.
- Holding each other to account drove performance.

# A Providers Perspective



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# Overview

- Benefits of a collaborative procurement approach
- Benefits of the “Competitive with Negotiation” route
- Future opportunities from the collaborative arrangement
- Challenges and future learning
- Summary



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# Benefits of the collaborative approach

- Efficiency – three clients, 1 process
- Standardisation – use of HMEP
  - Well understood
  - Clear and robust set of documents
  - Standardised specification
  - Appropriate risk allocation
- Optimisation through shared learning
- Cost savings – 3 (or 7?) bids for the price of 1



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# “Competitive with Negotiation”

- Allows structured engagement during process
- Allows parties to test ideas and understanding
- Allows all parties to optimise solutions
- Understand values, behaviours and drivers
- More efficient approach than “Competitive Dialogue”
- Keep stated negotiation areas wide



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# Collaboration Opportunities

- Providers required to collaborate with the 3 authorities & each other
- Unique opportunity for all parties
- Future of our industry?
- Great foundation established for future collaboration
- Quarterly Collaboration Board – started March 2017
- Delivered through Project Improvement Teams



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# Collaboration Opportunities

Further standardisation

Buying gains

Cross-border route strategies

Social value

Major incident response

Balancing resource demands

Operational Efficiencies

Improved resilience

Shared resources

Maximising funding

Back office efficiencies

Commercialisation

Aligned programmes

Greater learning

Training & development

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# Challenges and learning

- Competitive with Negotiation – a new process for all
- Pricing and writing 7 Lots was challenging
- Opportunity to lean the quality/pricing Lots
- Not all aspects of specification were fully standardised
- Important we share the learning with others



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# Summary

- Cost savings for all parties from collaborative procurement
- A well put together set of contract documents
- “Competitive Negotiation” a positive step forward for all parties
- A strong foundation for future savings and benefits from collaboration
- The increasing importance of “additionality”
- A positive learning experience
- Opportunities to replicate, share and evolve
- Unique and sector leading opportunity for all parties



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# Questions?



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