

<u>Committee and Date</u>
Place Overview Committee
28 th April 2022

<u>Item</u>
7
Public

WSP CONTRACTING ARRANGEMENTS

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1. Summary

- 1.1. This report summarises the annual performance of the Highways and Transport Engineering Consultancy Term Service Contract currently delivered by WSP contract for 2020/2021 financial year. This builds upon the previous reports presented to this Committee and provides an overview of this contract and its outcomes that support the Council and its wider ambitions for the period in question.
- 1.2. The report sets out some of the examples of added value that the council has derived from a term provider. A full annual report for the period 2020/21 and an interim report for 2021/22 are provided in Appendix A and B.
- 1.3. The report also summarises arrangements and plans for tendering the next iteration of this contract.

2. Decisions

The Committee is asked to;

- 2.1. Consider the annual performance of WSP for the financial year;
- 2.2. Consider proposals for the future iteration of the contract and advise of any areas of concern.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The end of the current contracting arrangement provides an opportunity to do things differently and ensure that future arrangements, both internally and within contracted services, better meet the needs of the council over the coming years. Modern contract mechanisms can also be applied to better incentivise value for money and success in securing external funding to enhance benefits to the county and its taxpayers.
- 3.2. The contract has been extended as much as is possible under contract regulations and any delays to the tendering programme could lead to the council entering into a period of time without professional services support which could have a significant impact on service delivery.
- 3.3. There is considerably uncertainty in the level of funding that will be made available year on year during the term of the next contract as the funding model for such works has become a lot more reliant on bidding for funds from government and other third parties.
- 3.4. The work undertaken by WSP in partnership with Shropshire Council is inherently subject to commercial and statutory risks, for example, professional advice, design/ construction, risk/liability, all carry inherent risk which needs to be managed, removed or mitigated. The ability of Shropshire Council through its partners to deal with issues from practical and technical issues in our communities to supporting on significant feasibility studies and businesses cases that attract significant funding and infrastructure improvement in Shropshire must be considered.
- 3.5. Management of the quality of work received its cost and value are all considerations across such a wide range of activities and outcomes. It is appropriate to say the current arrangements has not been managed effectively and that there is equal importance in having a strong client function as it is having a quality provider to ensure that value is truly being derived from the arrangements.
- 3.6. It should be noted that having external support, that can be more flexible in increasing and decreasing its support to the authority and to bring in specialist resource as and when needed compared to a more static internal resource, has enabled significant sums of external funding to be attracted into this authority. The ability to identify, draft and deliver acceptable businesses cases to external funders, often at short notice has paid significant dividends over the term of the WSP contract with schemes such as SITP, Active Travel Funding, NWRR, Salix LED replacement, DfT Challenge Fund for Market Towns, developer funding and additional maintenance funding only being possible through this ability to increase resource to reflect contemporary needs.

4. Financial Implications

4.1. Highways and Transport paid a total of total of £11,009,906 for work and services during the 2020 / 2021 financial year. These payments derive from:

- Highways & Transport existing revenue and capital budget
- External funding (government grants, awards) both received and competitive bids awarded.
- The wider Council, e.g. Economic Growth commission work or colleagues in Planning.

4.2 This spend was spread across the various areas as set out in the table below;

Area of Spend	Capital	Revenue	Grand Total
Asset Management	4,000	67,938	71,938
Bridges and Highway Structures	359,173	408,957	768,130
Business and Enterprise Service	578,947	272	579,219
Contract Administration		136,195	136,195
Divisional Highway Maintenance	9,168	121,748	130,916
Flood and Water Management	209,568	242,477	452,044
Highway Schemes - Major Projects - Traffic Schemes	671,813	2,157,627	2,829,441
Highways Development Control	6,218	554,234	560,453
Street Lighting and Traffic Signals	81,662	304,993	386,655
Sustainable Travel		57,853	57,853
Transport Planning - Public Transport - Traffic	318,561	4,718,501	5,037,062
Grand Total	2,239,111	8,770,795	11,009,906

4.3 It should also be recognised the significant social value that WSP have contributed within the County. This is a requirement of the contract and for 2021/22 was valued at £2.5m as validated through the National Social Value TOMs (Themes, Outcomes and Measures) Framework. Equating to 26% of the contracts value and an excellent return on the “Shropshire Pound”.

- 4.4 This social value is derived from various initiatives such as training of local people and children, through WSP's graduate scheme, work experience and engagement with schools and colleges to develop STEM learning. It also includes the utilisation of local supply chain and working with SME's in the county to deliver contract, economic and carbon reduction outcomes and a variety of volunteer and charity initiatives.

5. Climate Change Appraisal

- 5.1. There are no direct climate change implications as a result of this report.
- 5.2. It should be recognised however, that WSP have played a significant role in supporting climate change initiatives in the County including the development of a business plan to convert street lights to LED, value engineering of large projects, including the North West Relief Road, to reduce the carbon impact of construction and ongoing use that they incur, leading the project to deliver the first carbon net zero highway maintenance programme in the County and sponsoring and speaking at the Councils TechSevern event in the run up to COP26.

6. WSP

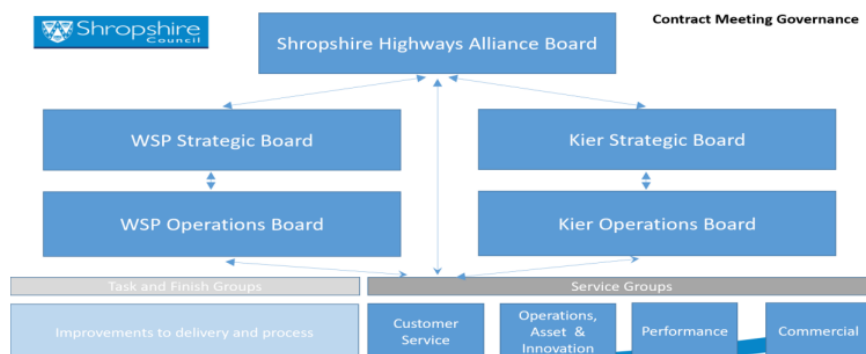
Background

- 6.1. In 2015, Shropshire Council awarded the Highways and Transport Engineering Consultancy Contract to WSP. The contract period is 7 years (2015-2022). Last year Cabinet approved a proposal to award WSP an additional year to enable the Council to develop a new iteration of the contract for tendering in 2022, due to delays arising from the impact of the Covid pandemic.
- 6.2. It was agreed that as part of that one-year award services for Highway Development Control and Flood Water Management would be brought back in house. This was undertaken at the beginning of April 2022.
- 6.3. The WSP contract is wide ranging and supports the entire Council over several work areas, typically as listed below for information:
- Highways Development Control
 - Highways maintenance contract
 - Flood and water management
 - Street lighting, signals and illuminated signs.
 - Business and enterprise
 - Traffic studies and planning
 - Major projects:
 - North West Relief Road
 - A529
 - Mile End Roundabout
 - Shrewsbury Integrated Transport Scheme
 - Shifnal
 - Asset management

- Feasibility Studies, and Investigation Reports.
- Local Transport Planning
- Active Travel

Governance

- 6.4. Audit reports in recent years have recognised failures in effective management of the contract with WSP. To address these issues the service has introduced a professional contract manager for the contract to ensure that the contract is operated properly and ensures that value is being derived from the contract.
- 6.5. A new structure of Governance meetings has also been introduced to ensure that issues are dealt with promptly, performance can be monitored and that there is common understanding of needs and ambitions from both parties. To this end a series of contract boards have been established to ensure that issues are dealt with at the appropriate level within each organisation and in a timely manner.
- 6.6. The schematic of this new governance structure is demonstrated below. This allows staff at all levels of the organisation to have a clear line of site from operational issues through to the Senior Management level to ensure issues, concerns or improvements are sighted, considered and actioned.



- 6.7. The relationship between WSP and Kier is equally as important as that between WSP and the Council to ensure that projects are delivered effectively and therefore a joint Alliance Board oversees both governance groups to ensure that they work together effectively and joint service groups to ensure that issues between the triumvirate of parties are resolved together and enable all parties to maximise the effectiveness that they can bring to new initiatives. This has borne significant value in resolving disputes between the 3 parties early on and has played a significant role in the service being able to publish a programme of highway works to take place in 2022/23 ahead of the new financial year for the first time in many years.

Performance

- 6.8. The performance data and its mechanisms are detailed in Appendix A. The verification of KPI's has been undertaken by Shropshire Council's contract team. Below are the key performance outcomes for consideration by committee.

Ref	KPI's	Target Score or %	Actual Score or %	Overall Weighting
KPI1	Contract KPI - Time	95%	100%	25%
KPI2	Contract KPI - Cost	95%	100%	25%
KPI3	Contract KPI - Quality (Invoices)	95%	99.92%	20%
KPI4	Project KPI	Min Av. 7 (70%)	92.35%	15%
KPI5	Service Area KPI	Min Av. 7 (70%)	82.55%	15%

- 6.9. The Average Annual Overall Performance Score for 2020/21 is 96.22% with all KPI's being exceeded indicating an Excellent performance. The evidence supporting the above is also contained within Appendix A.
- 6.10. The Senior Management team within Shropshire Councils Place Directorate fully appreciates the benefits and added value provided by WSP through the commissioning model being operated.

7. Future Arrangements

- 7.1. The service has consulted widely with industry bodies and working groups to best identify current best practice and optimum delivery models for the future and to help inform the council's next steps and develop tender documentation to ensure that the council is best positioned to derive value from future arrangements.
- 7.2. In December 2021 a report was taken to Cabinet setting out a model for procuring the next iteration of commissioning professional services to support the Place Directorate.
- 7.3. Cabinet agreed

- The principle set out in the outline business case (Appendix C) to develop a new delivery model for procuring a Built Environment Consultancy Contract to provide built environment, placemaking, highways and transport consultancy services.
- To the new arrangements to operate from April 2023 on a 5-year contract with a possible two 2-year extensions based upon performance.
- To award a 12-month contract to WSP to allow the new delivery model to be developed whilst maintaining continuity of current consultancy services and current capital projects, excluding the currently outsourced service elements of the Council's Highway Development Control and Land Drainage functions from the 12-month contract award to WSP and any procurement exercise in order to bring the services back 'in-house' with effect from 1 April 2022.
- To delegate authority to the Executive Director of Place in consultation with the Portfolio Holder for Physical Infrastructure to let a revised contract to WSP for a period of 12 months and agree to the model, balance between in-house and outsourced services, and the tender documentation.

- 7.4. The nature of services within Built Environment Consultancy is a lot less stable than other services the council delivers with funding being linked to success in bidding for non-council budgets and the nature of activity typically reflective of policy initiatives that the government and/or council wish to prioritise at any given time.
- 7.5. It, therefore, is more difficult to retain a large core of in-house staffing to deliver these services and requires flexibility to grow and contract resource to reflect contemporary needs, particularly with the specialist nature of the variety of projects that may fall within the scope of these services. Similarly, some areas have such little turnover (i.e. Bridges, Road Safety instruction, specialist services on major projects etc) that they justify only one or two staff per annum. In house provision of these services means that the council would be exposed to significant risk to service delivery were staff to leave, whereas the private sector is able to better spread this risk across various contracts and provide replacement resources in a timely manner.
- 7.6. There is a need to draw on the private sector who can retain a large and specialist staffing contingent which is able to be spread across several contracts and able to be increased and decreased as each contract requires, whilst still retaining good knowledge of the authority areas they support and their specific needs. This is reflective of the national trend as many authorities struggle to cope with reducing revenue budgets and uncertainty in future project funding.
- 7.7. The Service has begun undertaking market testing to better understand what is attractive to the consultancy industry and how value can be best leveraged

within a contract within the current environment. This will help inform the final terms of the future contract and ensure that the council can tender a contract that will be competitively considered by the market and enable the council to receive bids that are priced competitively.

7.8. The current scope of work to be included within the contract is set out below;

1. Built environment advice and industry best practice; *{broaden service scope}*
2. Identification and bid development of funding opportunities at regional and national bodies for the betterment of Shropshire and the advancement of development strategy and carbon reduction; *{broaden service scope}*
3. Placemaking and growth development advice; *{new service}*
4. Flood and water management advice and design, including innovation within green wastewater management; *{existing service}*
5. Street lighting and traffic signal advice, design and best practice; *{existing service}*
6. Major projects including traffic schemes, highways and master plan development; *{existing service}*
7. Transport services including traffic planning and public transport; *{existing service}*
8. Bridges and highway structures advice, design and project development; *{existing service}*
9. Highway maintenance strategy and advice reflecting industry best practice and innovation; *{existing service}*
10. Asset inspection, monitoring, and audit services; *{existing service}*
11. Asset Management include strategy development and insights from the sector; *{existing service}*
12. Natural environment advice, design and best practice including Rights of Way and natural assets; *{existing service}*
13. Business and enterprise services including data management, PMO operations, governance, secretariat and customer services functions *{new service}*; and,
14. Road safety education *{existing service}*.

7.9. Having analysed the scope of services, it is not considered that there is benefit from bringing any more services back in-house for the reasons set out earlier relating to the significant variation on funding and priorities year on year and to do so could expose the council to considerable risk of service delivery.

7.10. It is important, however, to recognise that a contract operates best when both parties are effective. To this end, it is acknowledged that whilst contract management has improved from where it was 18 months ago, the under-resourcing of staff across many areas of Highways, Transport, Planning and Economic Development has often meant there is insufficient capacity to provide effective instruction and challenge to WSP to ensure that the council derives optimum value for money from the contract arrangement and achieves the outcomes and deadlines it sets out to deliver. The services, therefore,

intend to strengthen these areas where possible with additional investment into staffing through increased revenue budgets and recharging staff time to projects to ensure that client resource can be increased and decreased to reflect programme needs.

7.11. Turning to the Contract Reprocurement Project, the key milestones for the contract project are:

New Built Environment Consultancy Contract Roadmap



1 - Milestones as of March 30 2022

7.12. The Contract Reprocurement Project is being led by Andy Wilde with collaboration from Steve Smith and Tracy Darke. Each of the service area leads is actively involved in designing the specification and informing the contract. This is imperative to ensure the contract is balanced and achieves the support necessary across our teams. A Project Board is in place and meets regularly, compiled of key officers to ensure that the new contract arrangements best meet the requirements of the authority. The final contract form will be approved by the Executive Director of Place in consultation with the Portfolio Holder for Physical Infrastructure. Via the Portfolio Holder and the Executive Director, the project will regularly consult and brief council leadership as to progress as aligned to the milestone plan.

7.13. Further detail to the business case and referencing the milestones set out in 7.12, the contract strategy is under development and not yet approved. The contract strategy is likely to be approved by the end of April 2022 in conjunction with a legal services appointment for due diligence. However, the working decisions taken are:

- Tender Process – Competitive Procedure with negotiation to allow for collaboration and full understanding of client’s needs.
- Form of Contract – We will use the NEC4 Professional Services contract with appropriate modification of the terms and conditions.

- Length of Contract – As previously mentioned, the contract will be offered as described in the Business Case on a 5-year term with two 2-year extensions possible for a maximum contract term of nine years.
- Pricing – The pricing strategy and supporting performance regime are in development. There will be 14 services encompassing strategic and operational requirements. It is expected that the performance regime will enable the use of a negotiated fixed price by task order to share the risk with the Consultant and give ample control to Council Officers.

7.14. To share how the contract needs have changed since 2015 when the existing consultancy contract was let, we have seen a significant shift in how we gain access to funding from Government requiring the submission of project bids as mentioned 7.4. We now expect a closer, more strategic relationship with our consultant. This is in order to be proactive to the Government agenda and to extend Shropshire's development strategy, the contract will support our strategic needs in placemaking, economic development and major project identification and delivery. These services require long-term thinking and a significant level of collaboration. Services supporting highways and transport continue with improved definition of critical engineering outputs and technical best practice. For example, we expect greater integration of asset planning activities with our Term Maintenance provider, currently Kier, to maintain the required level of asset quality.

8. Conclusions

- 8.1. The contract arrangements have continued to provide benefits to the council both directly and through added social value and has enabled the authority to secure significant additional funding to be invested into highway maintenance and transport and place shaping initiatives.
- 8.2. WSP's performance against the contract key performance indicators has been excellent since performance was previously reported to the Scrutiny Committee.
- 8.3. WSP have been awarded a further year until April 2023, albeit some services were brought back in-house on 1st April 2022.
- 8.4. Work is continuing on developing the next form of contract with a view to going out to tender in May 2022.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
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None

Cabinet Member (Portfolio Holder) - Cllr Dean Carroll

Local Member - All

Appendices

Appendix A - KPI Annual Report 20-21

Appendix B - Interim Annual Performance Report 21-22

Appendix C – New Contract Model – Business Case