

<p>RECOMMENDATION TO APPROVE THE A47 JUNCTION 18 IMPROVEMENTS PROGRAMME FOR THE 2017/2018 FINANCIAL YEAR</p> <p>COUNCILLOR PETER HILLER, CABINET MEMBER FOR GROWTH, PLANNING, HOUSING AND ECONOMIC DEVELOPMENT</p>
<p>July 2017</p>
<p>Deadline date: July 2017</p>

<p>Cabinet portfolio holder:</p>	<p>Councillor Peter Hiller, Cabinet Member for Growth, Planning, Housing and Economic Development</p>
<p>Responsible Director:</p>	<p>Simon Machen, Corporate Director Growth and Regeneration</p>
<p>Is this a Key Decision?</p>	<p>YES If yes has it been included on the Forward Plan : Yes Unique Key decision Reference from Forward Plan : KEY/01MAY17/02</p>
<p>Is this decision eligible for call-in?</p>	<p>YES</p>
<p>Does this Public report have any annex that contains exempt information?</p>	<p>NO</p>
<p>Is this a project and if so has it been registered on Verto?</p>	<p>Once approved a programme will be created on Verto to monitor delivery of the work programme</p>

R E C O M M E N D A T I O N S

The Cabinet Member is recommended to:

1. Authorise the issue of a work package to Skanska Construction UK Limited (“Skanska”) under the Council’s existing Peterborough Highway Services Contract for the Council to undertake improvement works on the A47 Junction 18 (the “scheme”). The total value of the work package will be £5.5m made up of £2.5m budget spend for 17/18 and £3m budget spend for 18/19. In addition to the work package for £5.5m, the Council allocated a budget of £192, 600 in previous financial years, towards payment to Skanska for the design of the Scheme.
2. Authorise the Director of Growth and Regeneration to vary the work order value when required subject to;
 - (i) available budget being in place;
 - (ii) the total sum of each variation not exceeding £100,000;
 - (iii) the combined value of any authorised variation(s) do not exceed the total sum of £500,000.

Any variations are to be made in prior consultation with internal audit, finance and legal services.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report seeks approval from the Cabinet Member for Growth, Planning, Housing and Economic Development for :
- the 2017/18 A47 Junction 18 Improvement programme of Works (the “Scheme”)
 - the award of a work package to Skanska Construction UK Limited (“Skanska”) up to a value of £5.5m to undertake the Scheme.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for the Cabinet Member for Growth, Planning, Housing and Economic Development to consider exercising delegated authority under paragraph 3.4.3 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (b).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO
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4. DETAILS OF DECISION REQUIRED

- 4.1 The roundabout of junction 18 is currently fully signalised, and the proposed scheme will incorporate additional capacity enhancements to enable the junction to accommodate traffic growth. In addition, the Scheme will see the removal of the pedestrian and cycle bridge over Junction 18 and under the A47. This footbridge will be replaced with at-grade pedestrian crossings, incorporated into the traffic signals on Junction 18. The pedestrian/cycle bridge currently requires significant maintenance works each year and the cost of these works is rising year on year as the structure nears the end of its serviceable life. If nothing is done the maintenance works alone will be insufficient and the bridge will have to be closed.
- 4.2 The Scheme and budget is included in the Council’s Medium Term Financial Plan.
- 4.3 The Council intends to award a package of work under its existing contract with Skanska .

5. CONSULTATION

- 5.1 Thorough consultation was undertaken in order to appoint Skanska Highway and Infrastructure Services as Peterborough’s Highways partner, culminating in the signing of a Cabinet Member’s Decision Notice in August 2013.
- 5.2 Appropriate level consultation will take place with all relevant stakeholders. This will take place alongside the delivery contractor to ensure consultation details align with delivery programmes and final design details.

6. ANTICIPATED OUTCOMES

- 6.1 Delivery of the A47 Junction 18 Improvements 2017/18 will contribute to the transportation aims of both the Council and the Government by supporting the city’s growth agenda; improving accessibility to key services, providing safer roads and reducing congestion. Leading to an improved environment with better accessibility.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 The roundabout at Junction 18 is currently running at full capacity at peak times, these works are vital to accommodate future growth. The pedestrian/cycle bridge currently requires significant maintenance works each year and the cost of these works is rising year on year as the structure nears the end of its serviceable life. It is not financially viable to provide a new pedestrian/cycle bridge.
- 7.2 The Peterborough Long Term Transport Strategy (LTTS) (2011-2026) and the fourth Peterborough Local Transport Plan (LTP4) (2016-2021) were developed in consultation with a wide range of key stakeholders. The Council considered a range of transport interventions to best address local problems, meet the growth aspirations of the city and integrate the Government's transport priorities agreed nationally by the Local Government Association and the Department for Transport. The assessment and appraisal of options involved:
- Policy Fit (meets objectives of the strategy)
 - Cost Benefit Analysis (value for money)
 - Key Performance Indicator Assessment
 - Network Improvement Impact Assessment
 - Equality Impact Assessment (EIA)
 - Strategic Environmental Assessment (SEA)
 - Habitats Regulation Assessment (HRA)

In the future there will be a new Local Transport Plan prepared by the Combined Authority.

Peterborough Highway Services contractual arrangements with Skanska Construction (UK) Ltd:

- 7.3 Highway services delivered by the Council acting as Local Highway Authority have been subject to annual budget reductions and have delivered significant savings internally through service efficiencies, streamlined staffing and income generation, as well as robustly challenging existing suppliers. In 2013 the Council recognised that in order to take these achievements even further, it needed to have an external partner to work with to consolidate existing service provision both external and in-house to:
- deliver synergies across a wide range of service provision;
 - provide inward investment;
 - guarantee further savings and value for money services;
 - serve as a catalyst for change; and
 - bring wider benefits to the city (such as local job creation).
- 7.4 The Council advertised the Peterborough Highway Services Contract in the Official Journal of the European Union in line with the Public Contracts Regulations 2006 for interest from bidders wishing to be considered as the Council's potential Partner for Peterborough Highway Services. An envisaged contract period for the partnership was stated as being ten years with the ability to extend it for two further periods of five years each.
- 7.5 Due to the complex range of services to be delivered by Peterborough Highway Services, the Council chose to use the Competitive Dialogue Procedure under the regulations so the Council could develop with the bidders the service scope, innovative solutions and growth potential in terms of improved service delivery and pricing. Strong emphasis was placed on the Council's desire to work in a collaborative and partnering style and that it wished to see bids that combined all the necessary qualities that the Council was seeking to achieve from the procurement process. The Competitive Dialogue procedure consisted of four stages, as follows:
- Stage 1: Prequalification

- Stage 2: Outline Proposals
- Stage 3: Detailed Proposals
- Stage 4: Final Tender

- 7.6 Following a rigorous year-long competitive dialogue process and thorough evaluation of tender documents, the Council awarded a contract to Atkins Limited dated 18 September 2013. By an agreement also dated 18 September 2013, the contract was novated to Skanska as the Council's preferred supplier, culminating in 2013 with the establishment and award of Peterborough Highway Services Contract 2013-2023. This process was ratified by a Cabinet Member's Decision Notice (AUG13/CMDN/068).
- 7.7 The CMDN established the principle of evolution of the partnership and identified the potential for additional services to come within the scope of the Contract at a later date. Clause Z13.2 of the Peterborough Highway Services Contract 2013-2023 provides the legal basis for extending the scope of works delivered by Skanska.

Project delivery

- 7.8 The A47 junction 18 programme of Works is being carried out by Skanska through the Professional Services element of the Peterborough Highway Services Contract 2013-2023. Although the majority of the work will be carried out by Skanska under the existing Peterborough Highway Services Contract, certain aspects of the work may be awarded to third parties and to utility companies. The Council will seek separate approvals through the governance process to make these awards.
- 7.9 It is recommended that the current Peterborough Highway Services Contract 2013-2023 should also be utilised as the delivery mechanism for the physical works. The Conditions of Contract are the core clauses of the NEC3 Engineering and Construction Contract June 2005 (with amendments June 2006 and September 2011). The works will be priced by the Contractor using Option C: Target contract with activity schedule.
- 7.10 In this option the Contractor tenders a target price using an activity schedule in which each activity is priced as a lump sum plus fee. During the course of the delivery, the target price is adjusted to cater for compensation events that are set out in the contract. Payment is made on the basis of actual costs plus fee. Within Option C, Target Contract, there is an incentive mechanism for the Contractor to minimise costs with both savings and overspends shared between both client and contractor. The sharing of risk in the target cost approach is likely to reduce the occurrence of disputes between both parties.
- 7.11 In the past the Council used its Professional Services Partner for the design and supervision role for major schemes in excess of £500,000 and procured the delivery element either via a competitive tender on the open market or through an established Framework Agreement such as the Midlands Highway Alliance or the Eastern Highways Alliance. Whilst these procurement routes have proven successful the tender process can lead to delays in awarding contracts which presents a significant financial risk.
- 7.12 When procuring works via the open market, there are significant costs associated with the preparation of open market tenders for each project in terms of staff time and resource. These effectively cancel out any potential savings that could be generated by procuring works in this way, and the potential benefits of design and build efficiencies can be lost when the two key components of a Scheme are completed by different contractors.
- 7.13 In recent years the Council has procured its major public realm and transportation projects through the Midlands Highway Alliance (MHA) Framework Agreement. In addition to the annual membership fee, a fee is charged for each project using its Medium Schemes Framework Contract (MSF1) on an escalating scale, calculated against the initial target

price. In utilising the existing Term Service Contract with Skanska the Council will avoid the project fee and in doing so will realise an immediate efficiency for each project delivered.

- 7.14 To place this into context, the MHA fee for using the MSF1 Contract on a typical construction project target costed at £1.0m would be £12,000. This fee would not be incurred if delivered by the Peterborough Highway Services contract.
- 7.15 In addition to the project fee, in April 2014, the MHA launched a new version of its Medium Schemes Framework Contract (MSF2) which replaced the MSF1 Contract. To date, no works have been procured by the Council under the MSF2 Contract. As such, it remains untried and untested as a delivery mechanism for major projects. A number of new contractors have been accepted onto the MSF2 Framework and several of these have no proven track record of delivering major projects for the Council.
- 7.16 Following evaluation of the alternative procurement mechanisms detailed above it is considered that the Peterborough Highway Services contract provides the most suitable delivery mechanism of the A47 junction 18 programme of Works. Utilising the existing Highway Services Contract will mean that the Council will realise the following benefits:
- Reduced procurement costs by using an existing framework contract.
 - Improved project management and cost certainty through the utilisation of a target cost style of contract.
 - Reduced construction costs through 'Early Contractor Involvement' (ECI) at the design stage to manage and mitigate more effectively any potential build issues with the design.

Representing Best Value

- 7.17 When the Peterborough Highway Services Contract was awarded to Skanska it was viewed as having submitted the most economically advantageous tender submission, thereby demonstrating best value in the market place. This is something that Peterborough Highway Services has continued to demonstrate via robust contract management tools such as adoption of the Peterborough Highways Performance Manual and the adoption of Key Performance Indicators (KPIs).
- 7.18 The Peterborough Highway Performance Manual sets out the process for measurement and management of performance in delivering the contract requirements. The Peterborough Highways Performance Hierarchy gives the Partnership a standard approach to capturing performance data in order to achieve:
- Visibility of service provider performance.
 - Consistency in the data captured.
 - Benchmarking of performance results.
 - Capturing continuous improvement.
 - The service areas for the Highway Services Contract are:
 - Operations (responsive Highway Service)
 - Commercial and Financial
 - Added value
 - Customer Service
- 7.19 Performance is monitored in line with these four weighted 'domains', providing regular visibility of the service leading to better, more informed decision making on where resources and improvement efforts need to be focussed.
- 7.20 Regular reviews of the Performance Hierarchy are undertaken by the Peterborough Highways Operation Team (PHOT) in order to capture lessons learned and support continuous improvement of the process. The hierarchy is updated on an annual basis with

reviews used to refocus the service areas to align with the changing needs of the Council and reflect the associated movement of the Partnership's objectives.

- 7.21 A series of Key Performance Indicators (KPI's) are used to evaluate performance under the Highway Service Contract. They are collated on a monthly basis and summarised on a dashboard with status shown as either, 'Green', 'Amber' or 'Red' against an agreed target percentage. All the monthly KPI scores will contribute to an annual, overall performance score for the Contract. This will be used to determine whether extensions to the Contract are awarded to Skanska when the current term expires.
- 7.22 One of the Operational KPI scores used to evaluate the performance of the Contract relates specifically to accurate target cost forecasting (KPI OP13). The information collected to calculate the KPI is the initial target cost, the final target cost figure including agreed compensation events and the final defined or 'actual' costs of the works. This indicator measures the difference between the final target cost and the final defined cost expressed as a percentage. The agreed target for the Highway Service Contract is for ninety-five per cent of all Scheme target costs to come within +/- ten per cent of the final defined costs. The expectation is for Skanska to better understand the concept of cost not price and the factors that influence cost changes to ensure that target costs are being jointly and correctly set.
- 7.23 Service credits will be incurred in the event that performance targets are not met although they can be nullified where the overall annual performance score for the contract exceeds ninety-five per cent. The relationship between the level of failure and the service credit is linear. It is subject to agreement between the Contract service manager and the PHOT prior to the start of each year. The key benefit of this tapered arrangement is that the service provider is rewarded for each percentage improvement to performance whilst ensuring that poor performance is penalised. This incentivises the service provider to invest in the service and deliver continuous improvement for the Partnership.
- 7.24 Given the performance mechanisms detailed above and as a result of Skanska's documented performance since the commencement of the Highway Service Contract in October 2013 it is recommended that they are the contractor selected to deliver the A47 junction 18 programme of Works utilising the Peterborough Highway Services Contract 2013-2023. In addition to proven quality and value for money as demonstrated by the adoption of the Peterborough Highways Performance Manual and KPIs, this route would also deliver:
- An increased turnover rebate from Skanska to the Council.
 - Design and build end-to-end efficiencies.
 - Increased economies of scale.
 - Greater opportunity to retain work in the local area.
 - Security of materials and resources supply.
 - Innovation.
 - Increased efficiencies and revenue benefits for access to additional work at zero bid cost.
- 7.25 The use of an NEC3 Option C Target Cost Contract will demonstrate value for money as the payment mechanism will give the Council full transparency over all costs and the pain/gain mechanism will further encourage Skanska to drive down costs and maximise efficiencies.
- 7.26 In order to improve the delivery of major projects Skanska have proposed the creation of a 'Core Management Team' with the express aim of planning, co-ordinating and implementing Council major capital projects. This team will also look to pursue additional Third Party Schemes (for other Council Directorates and Departments) through the Highway Service Contract to generate economies of scale.

- 7.27 The creation of a dedicated team to deliver major projects removes the need for the Council to engage another Professional Service Provider to administer, manage and supervise the contract on its behalf. As an example, the current fee charged by the MHA to use its Professional Services Partnership is one per cent of the total value of the work charged through the framework to the member in question.
- 7.28 In addition to the immediate savings associated with each project Serco, the Council's procurement partner have been in discussions with Skanska with regards to additional efficiency opportunities that can be generated within the Contract. A number of options have been explored and agreed in principle subject to increased contract turnover associated with the delivery of schemes greater than £500,000.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Not to deliver a programme of works: Successful delivery of the proposed programme of works will provide significant benefits to the residents of Peterborough and the wider travelling public, resulting in improvements to; condition of roads, public transport, road safety, accessibility and the environment. These benefits will be lost if the programme is not delivered
- 8.2 Agree an alternative works programme: The A47 junction 18 programme of Works put forward has been developed in consultation with a wide range of key stakeholders and assessed to ensure it meets the objectives and provide value for money.
- 8.3 Different options have been considered to replace the structure. All need at grade crossings in place to manage pedestrian diversion while demolition and subsequent replacement takes place. The cost of replacing the structure, depending on design, would be between £20m to £30m which the Council cannot afford.
- 8.4 The Council has also considered procuring the works via the open market or utilising the MHA Framework, but these options were not pursued for the reasons set out in paragraphs 7.11 to 7.16.

9. LEGAL IMPLICATIONS

- 9.1 The Highways Act 1980 provides that, the highway authority for a highway maintainable at the public expense, is under a duty to maintain the highway. This requires that the highway has to be maintained so that it is reasonably passable by the ordinary traffic of the area. Failure to identify a timely programme of works could result in a risk that the Council may not meet its legal duty to maintain the highway.
- 9.2 In addition the legal implications of not approving the A47 junction 18 programme of Works outlined in this document may mean that the Council cannot meet its strategic transport and highway priorities for Peterborough following a substantial period of consultation with stakeholders and partners.
- 9.3 The legal and financial implications of approving the A47 junction 18 programme of Works 2017/18 are that the highway network can be maintained thereby meeting the statutory duty to maintain the highway, thereby meeting the Council's transport objectives.
- 9.4 Legal implications – The Council is placing further works packages under the existing Peterborough Highway Services Contract pursuant to its powers contained in sections 30, 38, 43, 50, 96, 134, 278 and 301 of the Highways Act 1980. The Peterborough Highway Services Contract was procured under the Competitive Dialogue Procedure (under

regulation 18 of the Public Contracts Regulations 2006) and permits the Council to call-off further works which are within the scope of the contract.

10. FINANCIAL IMPLICATIONS

- 10.1 Approving the recommendation will ensure that that the planned expenditure is consistent with the capital program of works via the performance measurement and efficiency mechanisms built into the Peterborough Highway Services Contract.

11. PROCUREMENT IMPLICATIONS

- 11.1 There are no procurement implications.

12. EQUALITY IMPLICATIONS

- 12.1 An Initial Equality Impact Assessment has been carried out and there are no detrimental effects associated with the Scheme. In addition, further consultation will be undertaken to ensure that the views of different groups are carefully considered before the Scheme is constructed. Please see Appendix A for the completed equality impact assessment..

13. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

- 13.1 None

14. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

- Peterborough Local Transport Plan 4 (2016 – 2021)
- <http://www.peterborough.gov.uk/ltp>
- 2008 Public Realm Strategy
- https://www.peterborough.gov.uk/upload/www.peterborough.gov.uk/council/jobs-and-careers/schools-and-education/strategies-policies-and-plans/strategies-policies-and-plans/strategies-policies-and-plans/strategies-policies-and-plans/strategies-policies-and-plans/strategies-policies-and-plans/planning-and-development/Planning-Policies-Evidence-BuiltEnv_publicrealmstrategy2008.pdf?inline=true

15. APPENDICES

- Appendix A: Equality impact assessment