



Tendering techniques

A major new piece of research on the changing market dynamics governing highways contracts considered what influences buyer choice. **Alison Bond** and **Professor Merlin Stone** report on the findings

Balfour Beatty Living Places (BBLP) commissioned a major piece of research into highways tenders and buyer choice because, as the company's managing director, Amanda Fisher, says: 'To ensure we are the correct partner for local authorities, it is important for highways service providers to understand the key priorities and drivers for their success when winning work.'

The research was conducted by examining the process by which contracts for local authority highways maintenance are procured and subsequently managed. The aim of the research was to identify ways that contracting and contract management could be improved, so as to improve the results for the client, contractor and stakeholders.

The research demonstrates the need to better understand issues facing clients and the benefits of shifting to contracts focused on outcomes, not price; engagement not communication; from data capture to intelligent information; asset management to whole life-cycle infrastructure.

While efforts are being made to deliver the desired contractual outcomes, the end results often do not live up to the contractual expectations of the client, namely the council. One reason for this is the inherent 'backward-looking' nature of many current local authority contracts.

While large organisations visualise themselves through their measures, this research highlights the need for measures to be more aligned to all stakeholders involved so as to allow for the improved

and more efficient delivery of positive outcomes.

This will require a new way of thinking and a stronger focus on the integration of client and contractor skills, ensuring ownership of issues is in the right place to deliver the greatest benefits to stakeholders.

As budgets are tight and predicted to be squeezed further, it is imperative that clients and contractors work more efficiently and develop ideas to ensure money is spent in the right places against the needs of stakeholders, while still in the confines of any budgetary restraints.

Part of this must involve designing measures that move the industry to where it needs to be, stepping up levels of engagement so as to bridge the gap between the current process-led approach to the place-shaping one of the future.

Tenders require an immense investment in thought, time, skill and overall resource. Councils should start planning for the re-tendering stage, 18 months to two years before the end of the previous contract.

Clients want their tenders to perfectly match their needs but defining those needs and what drives them often varies and can complicate the final tender. The issue is that councils are frequently driven by factors outside the commercial and practical needs of the local authority.

Councils frequently include aspects within their tenders that largely address what is wrong in the existing contract, focusing on what they want to fix, rather than defining how they want to deliver for the future needs of their stakeholders.

The second key factor in the composition of local authority tenders is the politics of the organisation.

Focusing on the large shire councils, which tend to be Conservative-led and where highways spend is one of their largest budgetary expenditures, councils tend to pay attention to a particular client model.

Conversations with clients around how to build the tender document are often extensive and difficult, with outcomes usually driven by cost rather than value.

Senior local authority officers can find it frustrating. Despite being highly qualified professional people, their advice can be ignored by local politicians who are working for a different end result.

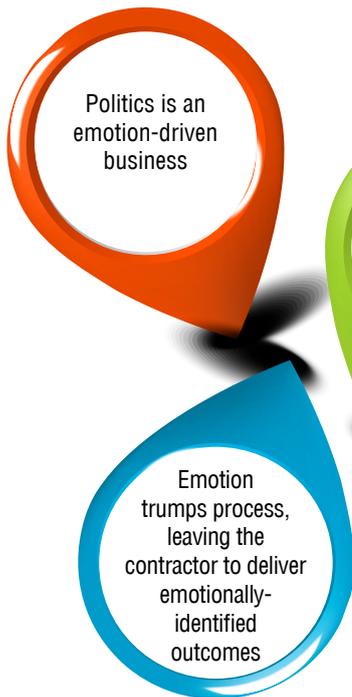
It is these sometimes fraught discussions that drive the tender documents, which in turn drive the contract. This can result in the council being unhappy with their delivered outcomes once the new contractor is in place.

Previous contract work, as well as emotion, has a significant impact on decision-making within tenders. The need to work with a contractor whom the client feels they can trust to manage the often difficult interfaces they have to deal with is vital.

Scoring on tenders must be open and scrupulously fair. However, a strong element of emotion within this process has been identified. This is the basis of the requirement of trust within any local authority contract and the reason for ensuring that it is prevalent throughout any tender

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highways management



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work between councils and contractors.

Despite this level of emotion, achieving the degree of trust required is not easily attainable and, for many clients and their contractors, unlikely within their current contract set-up.

Instead, trust is built by the contractor carefully understanding the outcomes of key deliverables required by the council and then gaining or achieving a clear line of sight to those benefits.

In highways contracting, the key benefits are doing what you say you are going to do, being fair and reasonable around costs, building the service around the actual needs of the client and carrying out work to a high standard

In meeting these obligations, through careful measurement and targets, trust is built between the council and the contractor allowing the true outcomes of the contract to be realistically identified.

Owing to the mix of senior officers' professional opinions and the elected members' opinions, decision-making on some issues can be difficult.

While members tend to focus on costs, officers focus on the long-term value required from the work being delivered.

While contractors can often remove themselves from these debates between members and officers, this is often not helpful when trying to identify the most appropriate outcomes within strict budget boundaries.

The graphic above shows the decision-making process before the contractor is involved and identifies why a contractor may feel its client has identified outcomes which are neither appropriate nor achievable within the budget.

The stress for many officers comes in managing the politics from within their own organisation and as with anything which is causing difficulties for a client, it is worth working to be part of the solution.

The chart (right) shows the three-step process to being part of the solution and improving contractors'

involvement in moving away from emotionally-driven tenders to a practical outcomes-based approach to the tendering process.

Engagement is key to the delivery of any successful contract. BBLP's experience supports the findings in this report.

As Amanda Fisher notes: 'We are very clear from the outset of any new contract. A key measure is how we represent the local authority. We see ourselves very much as an extension of their team and we must be clear about the priorities for the authority and help them manage the expectations of key stakeholders through extensive engagement.'

This was clear on a contract BBLP had with Cambridgeshire CC to deliver an upgrade to its street lighting asset. It was evident from an early stage that in order to effectively deliver this programme the team had to engage with key stakeholders throughout the process in order to manage expectations and deliver a service that members and residents agreed with.

In order to achieve this, BBLP and Cambridgeshire CC worked closely together to develop a robust consultation process to ensure all parties were engaged, not just communicated to. This was not considered at the stage of letting the contract, but by working closely together to make the contract work during delivery.

It is clear that the way contracts are currently tendered and delivered is not working. Contractors feel obligated to offer unrealistic prices to secure the contract, resulting in long-term tension. Officers feel under pressure to accept the cheapest bid and elected members are duty-bound to

listen to residents' complaints, resulting in an emotionally-led tender.

This research suggests that the tendering process is fundamentally flawed and therefore poor outcomes are inevitable with long-term implications on the quality of supply, which in turn breeds an inherently flawed contracting process.

There is evidence that contractors are moving out of the market as a result, resulting in less choice for councils.

Moving forward, the measurement of a successful council-contractor relationship needs to change to an outcomes-based approach. As an example, BBLP has successfully implemented this style of contracting throughout its relationships with local authorities, most notably with Herefordshire Council, where the council scooped the award for most improved council for customer satisfaction in relation to highways and transportation services in the 2015 National Survey, as well as being recognised nationally among the top 10 councils for asset management.

An outcomes-based approach, coupled with a focus on trust, could put a council on the road to making long-term improvements to their authority area rather than continuing their efforts to fix what went wrong with the previous contractor.

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Balfour Beatty will be presenting this research in detail at the *Surveyor* Highways Management Conference at the Ricoh Arena, Coventry on 20-21 September. See www.highway.surveyorevents.com/

Three-step guide to being part of the solution



Agree early on that trust is a target. Mutually define what trust is and how to measure it. Work together to continuously measure and improve the levels of trust between the council and the contractor



Focus on engagement, rather than communications. For example, which is more important, the number of letters sent or the amount of people in the community who know what is happening in their area?



Clients and contractors who felt they were delivering the best were those where the divisions of labour between stakeholders were the least obvious and where trust was a key component