

The Divestment of Skanska Infrastructure Services and Novation of the Highway Services Contract

To: Highways and Transport Committee

Meeting Date: 9th March 2021

From: Steve Cox - Executive Director, Place and Economy

Electoral division(s): All

Key decision: Yes

Forward Plan ref: 2021/033

Outcome: To provide Committee with an overview of the forthcoming novation of the County Council's Highway Services contract from Skanska UK Ltd to Milestone Infrastructure Ltd, part of M Group Services.

Recommendation: Committee is recommended to approve the novation of the County Council's existing Highway Services Contract from Skanska UK Ltd to Milestone Infrastructure Ltd.

Officer contact:

Name: Emma Murden
Post: Highways Commissioning Manager
Email: emma.murden@cambridgeshire.gov.uk
Tel: 07786 336249

Member contacts:

Names: Councillors Ian Bates & Mark Howell
Post: Chair/Vice-Chair Highways & Transport
Email: ian.bates@cambridgeshire.gov.uk, mark.howell@cambridgeshire.gov.uk
Tel: 01223 706398

1. Background

- 1.1 In July 2017 Cambridgeshire County Council (CCC) entered into a long-term contract, for the delivery of a range of highway services, with Skanska UK Ltd. The contract is for an initial ten-year period, with the option to extend for up to a further five-years subject to performance. The total value of the full fifteen-year contract is £900 million.
- 1.2 Early 2020, Skanska notified CCC, that following a strategic review of their business model their parent company were commencing a process to divest themselves of Skanska Infrastructure Services (SIS), the delivery arm for Local Authority Highway contracts, in order to streamline their operations. On the 4th December 2020 M Group Services Ltd (MGS) announced it had exchanged contracts for the purchase of Skanska UK's Infrastructure Services operation.
- 1.3 MGS delivers a wide range of infrastructure services within the energy (electricity and gas), transport, telecommunications and water sectors in the UK and Ireland. It has over 9,000 direct employees, an annual turnover of circa. £1.3 billion and a forward order book of around £3.6 billion. An MGS subgroup, Milestone Infrastructure Ltd has been created to deliver the Highways side of the business following novation. The existing SIS senior leadership team (including all staff delivering the Cambridgeshire highway services contract), under the continued leadership of managing director, Adrian Cooke, will transfer over to Milestone.

2. Main Issues

- 2.1 For Skanska to novate the contract to the future owner of SIS, there is a contractual requirement for prior written approval of the Employer (in this case CCC). In order to consider this approval, CCC has reviewed the requirements of the original procurement process to ensure the new owner maintains at least the minimum requirements of the existing contract. In addition, this review looks at the commitments made as part of the original tender submission to ensure the basis of the contract award remains sound as part of our due diligence.
- 2.2 Under the Public Procurement Regulation Act 2015 CCC has a duty to undertake due diligence in the form of legal and contractual checks. This process was overseen by Procurement and Legal teams, in consultation with the Highway service, finance and other relevant parts of the council. Legal and procurement colleagues have confirmed that these checks have been completed satisfactorily.
- 2.3 In addition to the legal checks, SIS and M Group have had to demonstrate they can meet the needs of the service as originally contracted, including capability, competence, mobilisation, TUPE of staff, and resilience to deliver highway services to CCC. Weekly meetings have been taking place, involving CCC officers and representatives of both SIS and M Group in order to obtain the assurances CCC require.
- 2.4 Part of the due diligence process has included the requirement for CCC to issue a Voluntary Ex-Ante Transparency (VEAT) notice. The notice advertised that a change in contractor is to take place and provides an opportunity for other companies or individuals to challenge. Given this change is a result of an 'acquisition' and the contract terms and conditions remain

exactly the same, the risk of challenge is anticipated to be very low. After the VEAT notice period has expired, a challenge cannot be made. The VEAT notice was published on 24th February and runs for ten days, expiring on 15th March 2021.

- 2.5 Further safeguards to protect CCC have been put in place, comprising of indemnity against a successful challenge and ensuring that the Parent Company Guarantee (PCG) position remains robust and acceptable to CCC. This covers indemnity in respect of costs, claims and expenses as a result of legal proceedings, any award of costs or damages and financial penalty. The new owner has demonstrated they meet these original requirements, ensuring they meet the initial Pre-qualification Questionnaire (PQQ), due diligence and undertakings.
- 2.6 Milestone Infrastructure will work to the same principles of the standard accreditation for safety, environment and quality assurance. The policies and processes will principally be those used by Skanska Infrastructure Services rebranded and amended where necessary for Milestone Infrastructure Ltd.
- 2.7 There is an overarching mobilisation plan supporting TUPE and IT provision as well as ensuring legal and operational readiness for day 1. In addition, there is ongoing work for the local plans to support the transfer, including financial and commercial cut-over.
- 2.8 Assurance has been provided, by both Skanska and M Group that service delivery on the ground will be unaffected by the transfer of the contract to Milestone. This assurance is reinforced by the transfer of all existing staff delivering Cambridgeshire's highway services contract to the new company. CCC will continue to hold Skanska and going forward, Milestone, to account for the successful delivery of the contract against the agreed key performance indicators.
- 2.9 Subject to committee approval and CCC receiving no challenge in response to the VEAT notice, the remaining timeline comprises:
 - 17th March – signing of the Novation agreement
 - 18th March – mobilisation of Milestone Infrastructure Ltd.
 - 1st April – Milestone Infrastructure Ltd, under the M Group Services umbrella, commence delivery of Cambridgeshire County Council's highway services contract.

3. Alignment with corporate priorities

- 3.1 A good quality of life for everyone
The novation of the highway services contract will allow the county council to continue to provide a range of highway services that benefit residents, businesses and visitors, enabling the public to go about their daily lives.
- 3.2 Thriving places for people to live
The novation of the highway services contract will ensure continuity of service delivery and help support the county council's growth agenda.

- 3.3 The best start for Cambridgeshire's children
There are no significant implications for this priority.
- 3.4 Net zero carbon emissions for Cambridgeshire by 2050
The report above sets out details of significant implications in paragraph 4.8.1.

4. Significant Implications

- 4.1 Resource Implications
There are no significant implications within this category. Since commencement of the contract on 1 July 2017, the spend through the contract by the county council (including Greater Cambridge Partnership) has been 17/18 (part year) - £18m, 18/19 - £49m, 19/20 - £42m and 20/21 (to January) - £41m.
- 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications
The report above sets out details of significant implications in paragraph 2.2
- 4.3 Statutory, Legal and Risk Implications
The report above sets out details of significant implications in paragraph 2.8
- 4.4 Equality and Diversity Implications
There are no significant implications within this category.
- 4.5 Engagement and Communications Implications
There are no significant implications within this category.
- 4.6 Localism and Local Member Involvement
The Chair & Vice Chair of Highways & Transport Committee have been briefed throughout the process, including meetings with representatives from M Group Services. In addition, the Leader and Deputy Leader have been briefed on the contract novation.
- 4.7 Public Health Implications
There are no significant implications within this category.
- 4.8 Environment and Climate Change Implications on Priority Areas
 - 4.8.1 Implication 1: Energy efficient, low carbon buildings.
Positive Status:
Explanation: The contractor is working with CCC on carbon strategies for this contract that align to CCC priorities.
 - 4.8.2 Implication 2: Low carbon transport.
Positive Status:
Explanation: The contractor is working with CCC on carbon strategies for this contract that align to CCC priorities
 - 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.
Neutral Status:
Explanation: Mitigate the impact of green removals by design, to minimise impact on the environment.

4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Positive Status:

Explanation: Minimise waste to landfill, recycle where possible to minimise the use of virgin materials.

4.8.5 Implication 5: Water use, availability and management:

Neutral Status:

Explanation: Consideration given during design and construction operations.

4.8.6 Implication 6: Air Pollution.

Negative Status:

Explanation: Due to the operational activities of the contract it is likely to have a detrimental impact on air pollution, however we will always strive to mitigate air pollution where practicable to do so.

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.

Neutral Status:

Explanation: Implement sustainable and equitable schemes and works on the public highway.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Sarah Heyward

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?

Yes

Name of Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications?

Yes

Name of Officer: Sarah Silk

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Richard Lumley

Have any Public Health implications been cleared by Public Health?

Yes

Name of Officer: NA

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

5. Source documents guidance – NA