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| <b>Decision maker:</b>  | <b>Cabinet member Infrastructure and transport</b> |
| <b>Decision date:</b>   | <b>29 April 2020</b>                               |
| <b>Title of report:</b> | <b>Public realm service annual plan 2020/21</b>    |
| <b>Report by:</b>       | <b>Commercial and Contract Manager</b>             |

## **Classification**

Open

## **Decision type**

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

## **Wards affected**

(All Wards);

## **Purpose and summary**

To confirm the annual plan 2020/21 for the public realm services contract with Balfour Beatty Living Places.

The annual plan has been developed by Balfour Beatty Living Places (BBLP) with council officers based on instruction by the council to ensure that it meets the council's objectives for the public realm (highways and related services) within the assigned budgets. The service manager's acceptance of the annual plan has ensured that the annual plan complies with the terms of the public realm services contract. Cabinet member approval of the plan provides final confirmation of this acceptance and in doing so ensures that the plan provides a sound basis for performance and contract management during the forthcoming financial year. The council has confirmed that the necessary contractual requirements have been complied with in regard to the annual plan.

## Recommendation(s)

That:

- (a) the annual plan for public realm services, as outlined at Appendix 1 of this report be approved as the basis for service delivery during 2020/21 with an overall budget of up to £22432K; made up of 6410K revenue and 16022K capital A further decision report will set out the S106 Budget and Programme for 2020/21 and
- (b) the acting assistant director highways and transport be authorised to agree, through the BBLP contract governance arrangements, final adjustments to the programme (including any recommendations from the strategic partnering board) and budget allocation to each of the annex and any in year adjustments to the plan, within the overall budget.

## Alternative options

1. Not to approve the annual plan. This is not recommended as operating without an approved annual plan may put budget, performance and contract management arrangements at risk. If in year changes to the service as detailed in this annual plan are required, then these can be best managed, from the baseline position established in the annual plan, through the change management processes that are in the public realm services contract and managed through the client contract management team.
2. To approve an alternative annual plan for 2020/21; this option is not recommended as the development of the annual plan has gone through a robust process with BBLP and the council's representatives to ensure effective prioritisation and asset management have been applied within the overall budgets available

## Key considerations

- 3 The public realm services contract between Herefordshire Council and BBLP commenced on 1 September 2013. This is one of the council's strategic and most significant contracts in terms of range of services and their value. To ensure the services provided through the contract meet the council's requirements, the contract requires the production of an annual plan.
- 4 The services delivered in Herefordshire through the public realm contract support the council's key priorities: Support the growth of our economy, through infrastructure and transport projects and major surfacing programmes; Secure better services, quality of life and value for money, through effective forward planning, programming and early engagement with supply chains; Enable residents to live safe, healthy and independent lives, through delivering a safe, clean and well maintained network and engaging well with communities.
- 5 This annual plan for the 2020/21 financial year will be the seventh such plan developed in relation to public realm services and has been developed utilising the knowledge, lessons learnt and continuous improvement during the first six years of the contract. The annual plan has been formed by BBLP with council officers based on instruction from Herefordshire Council, with engagement from ward members and parish councils. It will make best use of the available capital and revenue resources and ensure the delivery of the revenue savings required by the Medium Term Financial Strategy.

- 6 Through the first six years of the contract, the council and BBLP have together delivered a substantial increase in the investment in roads. All funds have been invested in accord with the council's asset management strategy.
- 7 The National Highway Transport network (HNT) has published results of the CQC (customer, quality, cost) Efficiency Network results 2019. The expenditure data and other data collated by the council is analysed by CQC for the network for Road Carriageways Maintenance. The results indicate Herefordshire Council has a year on year improvement in efficiency. Results can be viewed on: <http://www.nhtnetwork.org/nht-public-satisfaction-survey/findings/>
- 8 The community commissioning model was implemented for 2017/18; the model supports parishes and individuals to purchase enhanced public realm services such as village white gating to additional litter bins, through the council. The service is then provided by BBLP or a provider of the parish's choice, subject to approval. The model has been more popular than anticipated with over 141 completed jobs from parishes for enhanced service or equipment. A supportive toolkit for the community commissioning has been developed by BBLP, which has been consulted on with a few parishes who have gone through the process already, this is now available on the council website.
- 9 On going continuous improvement reviews within the public realm service have identified better ways of working and improvements required with overarching programming. This is currently being reviewed through lessons learnt and action plan to improve this area of the service. This will be monitored and assessed by the councils contract management team.
- 10 The council have worked with BBLP to transform the service and deliver revenue and capital savings over the contract period to date of 30%. This has seen a reduction in annual revenue expenditure on public realm services from £9.1m in 2014/15 (the first full year of the contract) to £6.1m in 2017/18. This has been achieved through a range of efficiencies and service changes. Where possible service has shifted from the reactive to the pro-active and works have been designed to enhance the value or life of the highway and other public realm assets. This has maximised the proportion of our activity that can be funded from capital budgets. As set out in Para 21.1.4.2 of "The Public Realm Services contract" Service delivery partner is required to "work with the Employer to achieve Cashable Savings of 3% in the relevant financial year (or whatever equivalent efficiency measure that may be placed upon the employer by central government or reasonably agreed between the employer and the provider during the contract period) "Operational efficiencies have been delivered through changes in working practices, a reduction in the number of depots used by the service, locality working with communities and the introduction of new technology supported by a single operational control centre. The consultation with Members and Parish Council's during the preparation of the 2020/21 Annual Plan highlighted concerns that levels of service in relation to routine highway drainage, street cleansing and grass cutting should not be further reduced It is expected that 3% savings are returned to the Council on an annual basis and any change or re-allocation of any cashable savings will be the subject of a further cabinet member decision.
- 11 The investment made to date has set an environment for change and in this annual plan we have been able to respond to concerns expressed by stakeholders and target available resources to key revenue based activities. The council has been amongst the first in the country to be able to fully develop a risk based approach to its routine highway maintenance activities, an approach that is now required as best practice in the latest highway maintenance code of practice. It is therefore proposed to further target available revenue resources to routine work with a view to protecting the improved assets achieved through capital investment to date. This along with the benefits that have yet to be realised through a sustained investment in roads.

- 12 The risk based approach Highways Maintenance Plan has been in place for 2.5 years and an extensive review of the implementation is now complete. The annual plan 2020/21 has been constructed in accordance with the revised edition which will be the subject of a governance decision shortly
- 13 The additional investment that has been delivered through past annual plans has made a real difference and has established an environment for change. The level of investment going forward will need to be sustained in order for the level of overall asset condition to remain at a consistent state. A decline in the overall condition of the highway asset can only be halted by a forward programme that includes for sustained investment at the right level over the whole life of the highway asset and an ongoing programme of works that is targeted at treating roads as they are showing signs of deterioration, fixing roads before they need larger, more costly repairs. This all in accord with the council's asset management strategy.
- 14 Each year's annual plan sets out details of the services to be provided during the relevant financial year and demonstrates that these public realm services can achieve the council's objectives within the available budget, whilst demonstrating value for money. This annual plan will continue the use of the community commissioning model and the arrangements for locality working will not change from last year's annual plan. It is recognised that cabinet members wish to review current arrangements regarding locality stewards and this will be the subject of a further review in 2020/2021.
- 15 The contract sets out Operational Performance Indicators (OPI), which are monthly performance measures against service delivery, and are assessed by the council's contract management team. The total number of OPI's is 14. BBLP's overall performance for 2019/20 (to date) is positive with operational targets being achieved.
- 16 In developing the annual plan, the provider (BBLP) is expected to demonstrate within the available budget how we will ensure that the public realm is accessible, safe, clean and well maintained. In addition, the plan must demonstrate that the delivery of essential services is efficient, responsive to local needs and are value for money. The Contract management team ensure VFM is evidenced through rigorous assessments throughout the financial year. The Value for money Assessment plan for 20/21 is being developed by the Contract management team for implementation in 20/21. Through this work, these services delivered are expected to contribute to the council's corporate objectives in relation to the economy and social capital of Herefordshire.
- 17 If necessary, changes can be agreed within the year to ensure objectives are achieved, subject to appropriate governance.
- 18 The public realm services contract requires each annual plan to be presented to the strategic partnering board for the contract. The strategic partnership board will be presented the annual plan for 2020/21 on 26 March 2020. The strategic partnering board should approve the plan developed by BBLP unless:
  - the annual plan would not meet the employer's objectives; demonstrate value for money
  - the delivery of the annual plan will exceed the relevant services budget; or
  - the annual plan does not sufficiently demonstrate that it is capable of delivering on the target of cashable savings of 3% in the relevant financial year; or
  - the annual plan is not in accordance with the service information; or

- the annual plan does not address priorities for the relevant financial year agreed by the strategic partnering board (SPB). The SPB members are: HC Director for Economy and Place; Assistant Director for Highways & Transport; Commercial & Contracts Manager; BBLP Managing Director; Work Winning Director and Contracts Director. The additional attendees to SPB are: the cabinet members Transport and Regulatory Services, and Infrastructure.
- 19 The public realm services contract also requires BBLP to provide details of time; cost; risk; cashable savings; local overheads; order and timing of work; key dates for access to the public realm, acceptances, materials/information that the employer and others will need to provide; payment mechanisms; and key service information.
- 20 In line with previous years, it is proposed that the assistant director, highways and transport be authorised to make any in year adjustments as recommended by the strategic partnering board, these adjustments will be no greater than 500k in line with scheme of delegation and financial procedure rules. Any adjustment above that value would be subject to a separate governance decision
- 21 The contract requires the Service Manager, Assistant Director for Highways & Transport, to accept that the annual plan meets the requirements set out within the contract, within 20 days of it having been submitted, in preparation of it being considered by cabinet member. The service manager's acceptance has been given subject to a number of conditions (as detailed in appendix 3).
- 22 It should be noted that under the terms of the contract the service manager can only reject the annual plan if:
- it does not reflect matters approved by the strategic partnering board;
  - the provider's plans which it shows are not practicable;
  - it does not show the information which this contract requires;
  - it does not represent the provider's plans realistically; or
  - it does not comply with the service information.
- 23 The annual plan can be accepted, but it is not an approved plan until such time as the strategic partnering board grant approval. If that board require the plan to be amended then the service manager will consider the acceptance of that revised plan on receipt all in accordance with the terms of the contract.
- 24 An annual plan presentation will be given to members at the Thorn depot in April and parish briefing sessions will be held at Thorn and Kingsland depot, at a agreed future date when COVID19 restrictions allow.
- 25 A review of the OPIs has been completed by the partnership, which identified some minor adjustments to the definitions, which will be in place for 1 April 2020. The two new OPI's introduced in 2018/19 have been incorporated into 2020/21 targets.

## **Community impact**

- 26 There is clear evidence that the effective management of the public realm, which includes highways, parks and public rights of way, is an important contributor to the county's health,

wellbeing and economy.

- 27 A clear measurable annual plan provides a mechanism for monitoring performance and supports the council to achieve its corporate plan priority to secure better services, quality of life and value for money for the people of Herefordshire
- 28 The service supports a diverse range community projects and events in Herefordshire through community engagement or volunteer days projects with BBLP delivering 109 community projects for 2017/18 and 101 projects for 2018/19 and 106 for 2019/20 Staff time is provided at no cost to the council by BBLP to support community projects and 'in kind' support through the loan of kit, materials and equipment etc.

## **Equality duty**

- 29 Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 30 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. BBLP is fully aware of their contractual requirements in regards to equality legislation, and is proactive in considering its duty when commissioned by or working with the council to introduce public realm projects. The effective management of the public realm supports equality through the improvement of access to public spaces and maintenance (lighting, footways etc) of public rights of way. This supports persons that share a protected characteristic in particular those that are disabled and women

## **Resource implications**

- 31 The annual plan is funded as summarised in the table below. In line with the approved annual capital and revenue budgets which in turn align to the council's medium term financial strategy.
- 32 The revenue budget for 20/21 presented in table below takes account of the £172K capital interest repayment for 20/21
- 33 The LTP capital budget shown in table below includes HC staff capitalisation costs at £700K, these are Highways and Transport staff that are working on the Local Transport Plan (LTP) activities. Timesheets are kept to record time spent on Capital activities and a value of £700K is the anticipated level of costs for 20/21. The LTP Capital budget also includes Road Infrastructure principle repayments at £554K
- 34 The Highway Asset Management funding shown below was approved by council February 19 and funded from borrowing

| Funding streams (base budget / external / grant / capital borrowing)         | 2020/21       |
|--|---------------|
|  | <b>£000</b>   |
| <i>Local Transport Plan (LTP) Capital Budget – Grant</i>                     | <b>12,272</b> |
| <i>Highways Asset Management – B, C &amp; U road resurfacing – Borrowing</i> | <b>3,750</b>  |
| <b>Total Capital Funding</b>   | <b>16022</b>  |
| <i>In Revenue budget 2020/21</i>   | <b>6340</b>   |
| <i>Section 38 and 278 Supervision costs(funded from developer income)</i>    | <b>71</b>     |
| <b>Total Revenue Funding</b>   | <b>6410</b>   |
| <b>TOTAL Funding</b>   | <b>22432</b>  |

36 There is a risk that the provision of service cost could exceed the approved budget. To mitigate this costs will be monitored regularly by the contract management team to prevent overspend against budget. If costs are forecast to exceed the above budget a further decision will be required to maintain service delivery. A further governance report is due to be considered shortly by the cabinet Member for infrastructure and Transport which will release funding secured from developers for Highway maintenance, each Financial year. Subject to that decision that funding will be added to the public realm Revenue budget for 20/21

37 Herefordshire Council's LTP grant totals £12,272k for 2020/21, the amount retained by the council is £1,254k which supports the loan principle repayment and also contributes to council staffing. T

38 The contract savings of 3% target for 20/21 will be identified and delivered in 2020/21 as efficiency savings throughout the year, this process will be closely monitored by the contract management team, the financial cluster group and strategic partnership boards.

39 The local management Overhead (LMO) annex sets out the key enabling functions and management resources that support the delivery of outcomes through all the service annexes (1-14) The functions can be categorised under 3 areas:-

Governance and Management activities

Enabling Functions such as H&S management, Operational Control Centre, Business Support, HR and VFM procurement.

Provision of effective management of Insurance claims.

- 40 These functions impact the successful delivery of all annexes and therefore all service annexes. Any variation to the LMO will be managed through the Contract management team contract change mechanism and would be considered an operational decision. The LMO is detailed in the table below:-

| Annex                               | Description                        | Total |                  |
|-------------------------------------|------------------------------------|-------|------------------|
|                                     |                                    | £     |                  |
| <b>0</b>                            | <b>LMO</b>                         | £     | <b>2,176,776</b> |
| <b>Property Pass Through</b>        |                                    | £     | <b>334,946</b>   |
| <b>Main LMO</b>                     |                                    | £     | <b>1,841,830</b> |
| <b>Property Pass Through</b>        | Rates                              | £     | 84,926           |
|                                     | Rent                               | £     | 250,020          |
| <b>LMO excluding Property Staff</b> |                                    |       |                  |
|                                     | 01. SMT                            | £     | 620,450          |
|                                     | 02. Fin/Comm/Proc                  | £     | 327,960          |
|                                     | 03. Business Support               | £     | 165,430          |
|                                     | 04. Team Leader                    | £     | 259,970          |
|                                     | 05. Insurance                      | £     | 50,010           |
|                                     | 06. Performance Reports            | £     | 85,930           |
|                                     | 07. Stores                         | £     | 1,890            |
|                                     | 08. Planner                        | £     | 43,040           |
|                                     | 09. H&S Trainer                    | £     | 25,050           |
|                                     |                                    |       |                  |
| <b>Depot and Offices</b>            | Facilities Maintenance by FM Staff | £     | 40,000           |
|                                     | Facilities Maintenance by PR Staff | £     | 9,750            |
|                                     |                                    |       |                  |
| <b>Depot and Offices</b>            | Maintenance costs (non BBLP)       | £     | 14,850           |
|                                     | Utility Costs                      | £     | 60,500           |
|                                     | Licences                           | £     | 2,000            |
|                                     | Rent                               | £     | 30,000           |
| <b>General Expenses</b>             | H&S Equipment                      | £     | 1,500            |
|                                     | Sundries                           | £     | 5,750            |
|                                     |                                    |       |                  |
|                                     | PCard                              | £     | 12,000           |
|                                     | Printing Postage & Stationery      | £     | 500              |
|                                     | ICT                                | £     | -                |
| <b>Materials</b>                    | Materials                          | £     | 4,500            |
|                                     |                                    |       |                  |
| <b>Plant</b>                        | Fuel                               | £     | 24,000           |
|                                     | Plant                              | £     | 25,350           |
|                                     |                                    |       |                  |
|                                     | Repairs & Maintenance              | £     | 6,400            |
| <b>Recruitment</b>                  | Recruitment                        | £     | 25,000           |



## Legal implications

- 41 This is an Executive function under the Council's Constitution Part 3 Section 3 and is a key decision because it is likely to be significant having regard to the strategic nature of the decision; and/ or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards in Herefordshire) affected. It is also likely to result in the council incurring expenditure which is, or the making or savings which are, significant having regard to the Council's budget for the service or function concerned. This key decision is delegated to the Cabinet member Infrastructure and Transport as it relates to their portfolio.
- 42 The contract with BBLP enables the council to discharge a number of significant statutory duties to provide a number of services relating to the public realm. A list of the relevant legislation and policy context is set out on page 9 of the Annual Plan Service Overview (Appendix 1 to this Report). In addition the council has a general duty to secure best value in the exercise of all of its functions. The development and review of the annual plan, as part of the council's long term contractual relationship with BBLP, is a key mechanism for the discharge of these legal duties.
- 43 The delegation to the assistant director is permissible and allows the officer to make changes to the actual services delivered during 2020/2012 and allocations in the plan as agreed within the budget. As the cabinet member has made the decision to agree the annual plan as a basis for the service delivery, any changes to the plan will be operational decisions and will require a record of officer decision to be published.

## Risk management

- 44 A comprehensive review of the annual plan undertaken by the council's contract management, service manager and a number of senior officers has identified a number of conditions of acceptance. (These are in addition to the conditions established in the public realm services contract). These additional conditions are designed to manage risk as associated with the acceptance of the annual plan as proposed. BBLP have agreed to these conditions.
- 45 The risks, their consequences and any mitigating actions have been considered in detail in the development of the annual plan. Risk is managed through the governance structures created for and supported by the public realm services contract, which links with and escalates to the council's corporate risk management regimes

| Risk / opportunity                                       | Mitigation  |
|--|---|
| Ensuring value for money is achieved in future years     | Value for money is tested at various stages of the annual commissioning process and the partnership are constantly looking at ways to improve value for the council and residents of Herefordshire. |
| Good quality effective service is continuously delivered | Performance is closely monitored through Operational Performance Indicators and Strategic Performance Indicators, to ensure services are delivering to target and                                   |

continuously improved, where possible. The contract model incentivises good quality performance.

## Consultees

- 46 The drafting of the annual plans were consulted with clients from Herefordshire council and BBLP service champions. Feedback and lessons learnt for service improvement were brought into the finalisation of the annual plans. There are no significant services changes.
- 47 The political groups have been consulted with on the decision for public realm service annual plan 2020/21, no comments as yet
- 48 Continued engagement events for members and parishes have taken place in autumn, to share information on new approach, inform on Asset management approach, general service delivery and an opportunity for members and parishes to feedback on their experiences of the service. Further regular briefings are scheduled for Members and Parishes. Drop in sessions have been held for members to comment on the plan and updates included where feasible

## Appendices

Appendix 1: Annual plan service overview 2020/21

Appendix 2: BBLP Performance Report January 2020

Appendix 3: Annual plan service manager review 2020/21

## Background papers

None