

# AMEY SERVICE DELIVERY REVIEW

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY & FINANCE

CABINET

22 JANUARY 2009

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### Wards Affected

County-wide

### Purpose

To seek agreement to conclude the service delivery review.

### Key Decision

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards.

It was included in the Forward Plan.

### Recommendations

- THAT**
- (a) the principles set out in this report be agreed;**
  - (b) the detailed negotiations that follow from the principles in this report be concluded under the authority of the Chief Executive; and**
  - (c) the staff in the scope of the review (identified in this report) be given formal notification of a potential TUPE transfer.**

### Reasons

The negotiations authorised by a Cabinet decision on 11th September 2008 have secured commitments from Amey to key principles that will achieve the objectives of a minimum of £1 million savings per annum minimum and improved service delivery.

### Considerations

#### Background

- 1 Cabinet considered the Service Delivery Review of the Council's Service Delivery Partnership arrangements with AMEY on 11<sup>th</sup> September 2008. This review sought to inform a renegotiation of the arrangements for delivery of the contract and was guided by two key objectives:
  - a. Securing annual savings to the Council of a minimum of £1 million;
  - b. To improve current quality and level of service.

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Further information on the subject of this report is available from  
Richard Ball, Acting Head of Highways on 01432 260965

- 2 A detailed report was provided which explained the approach taken, the options considered and the recommendations for future service delivery arrangements. The review was undertaken with reference to the Audit Commission's January 2008 report, "For better for worse: value for money in strategic service delivery partnerships" which provided a framework to help assess the potential options and draw conclusions regarding the most appropriate approach for Herefordshire.
- 3 The services which are, for the purposes of this report, in scope include:
  - Highways
  - Parks and public open spaces
  - Public Rights of Way

Ancillary services of printing, catering, courier, recycling, vehicle maintenance and sign shop services are already provided solely by Amey and will be subject to the new performance management and governance arrangements set out below. Property Services is subject to a separate review as approved by Cabinet on 11<sup>th</sup> September 2008.

## **Principles**

- 4 Negotiations have secured agreement to a number of principles that will define the future basis on which service delivery will be carried out and the means by which performance and value for money of those services will be assessed and managed.

### *4.1 Principal Benefits*

- A minimum of £1M spending reductions per annum for the remainder of the contract. This cost saving is underwritten by Amey
- Improved performance required to secure an initial contract extension of 5 years
- Further performance improvement required to earn additional extensions (of 1 year each) up to a maximum of an additional 5 years
- Improved direct local engagement with ward members and parish councils by Amey staff to ensure clear, direct points of contact
- Open book accounting
- Full access to relevant Amey IT systems relating to this contract

### *4.2 Penalties for poor or unimproved performance*

- No extension of the contract if improved performance against agreed performance indicators and benchmarks is not achieved
- Penalties if performance deteriorates

### *4.3 Performance Measures*

- Customer satisfaction – including Members, Parish Councils and residents
- Achievement of Local Transport Plan objectives
- National Indicators including Herefordshire Local Area Agreement Indicators

- Value for money
- Sustainability (including environment, economy and social factors)

Performance to be measured compared to other relevant local authorities/contractors

#### 4.4 Governance

- Creation of a Strategic Partnership Board (comprising Amey senior manager, client management and Cabinet Member and Director) to agree annual service plan and examine all aspects of Amey performance on a regular basis. To make decisions on rewards and penalties.
- Amey will attend relevant the Council's relevant Scrutiny and other Committees as required
- A new council client team established to fulfil functions including
  - Rapid resolution of issues (that have not been dealt with by Amey to their satisfaction) raised by Members, Parish Councils and residents
  - Strong and effective management of the new performance/reward regime
- A termination option to be agreed in the event of a takeover or merger of Amey which is judged to be against the Council's interests
- The Council's Amey Wye Valley shares to be bought out by Amey
- Planning and performance management will be integrated with the Council's Performance Improvement Framework.

#### 4.5 TUPE Transfer

- Proposed transfer relating to c. 110 posts
- Overall reduction of c. 20-30 posts (total from council and Amey), most presently filled with agency staff. No compulsory redundancies expected.
- Pension liability information awaited – see Financial Implications

#### **Staff Implications**

- 5 Subject to the completion of the detailed negotiations, establishing the new arrangements would require the transfer of staff within the in-scope service areas to Amey. During the mobilisation period, Amey propose to involve all affected staff in assisting with establishing the new arrangements.
- 6 In order to reassure employees identified for transfer, it is planned to arrange surgeries/briefings on pensions and TUPE arrangements to answer any questions that may arise.
- 7 It is anticipated that as part of the transfer of staff Amey will gain "admitted body" status in relation to the Hereford and Worcester Local Government Pension Scheme to protect the pension arrangements for transferring staff.

## **Financial Implications**

- 8 The proposal submitted to the Council by Amey includes a commitment to guarantee annual spending reductions of £1million from 2009/10 onwards. It also includes proposals for further efficiency savings and increased revenue. Further detailed negotiation and analysis is required to validate these proposed savings and secure contractual commitments to delivering them. It will also be necessary to establish a methodology to track these savings and demonstrate that they are being achieved.
- 9 These savings were not identified in the Council's current Medium Term Financial Management Strategy (MTFMS) agreed in March 2008. However, once these savings or increased revenue has been achieved, the Council will use these savings to assist with balancing the Council's overall budget and these savings have been identified as part of the Environment & Culture Directorate Performance Improvement Cycle (PIC) process for 2009/10. Currently they have been identified as a potential area of support for revenue budget pressures in that Directorate.
- 10 Clarification of the Council's liability associated with covering any pension fund shortfall in respect of transferred staff is being sought, and any financial implications arising from this will be taken account of in the Council's budget planning process.

## **Legal Implications**

- 11 Legal advice is that, subject to the scope of the current contractual arrangements not being extended, renegotiation of the current delivery arrangements does not require re-procurement. The proposals received from Amey are being reviewed by the Council's Legal Services with external specialist advice, as appropriate. Legal advice will be available during the detailed negotiations to ensure that any contractual changes are acceptable from a legal perspective.

## **Risk Management**

- 12 The Service Delivery Review took a comprehensive approach to reviewing the alternative options for future service delivery to help identify the appropriate way forward. In order to ensure effective negotiations and minimise risk, external procurement advice and training for the Council's negotiation team has been provided by 4Ps and appropriate legal, financial and technical advice has been utilised. This will continue during the final negotiations.
- 13 Any changes to the current arrangements arising from the review would be by agreement between Amey and the Council and would not require a re-procurement process.
- 14 Any financial implications arising in relation to the pension fund will be managed through the Council's budget planning process.
- 15 The establishment of a new contract management team within the Environment and Culture Directorate is intended to ensure robust monitoring

and management of the contract in the future and reduce the potential risk to the Council's reputation of any failure to deliver.

## **Alternative Options**

16 Both the Council and Amey have the option to continue with the current agreement if the proposed agreement is not acceptable.

## **Consultees**

Consultations have taken place during the Service Delivery Review with all Members of the Council, staff within potentially affected services and Amey. The review has reported regularly to Environment Scrutiny and twice to the Strategic Monitoring Committee. The comments and advice from both of these committees has been incorporated into both the review process and the principles in this report.

## **Appendices**

None

## **Background Papers**

None identified.