

<b>MEETING:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>17 OCTOBER 2011</b>
<b>TITLE OF REPORT:</b>	<b>BRIEFING ON COMMISSIONING ARRANGEMENTS WITH AMEY HEREFORDSHIRE</b>
<b>REPORT BY:</b>	<b>DIRECTOR OF PLACES AND COMMUNITIES</b>

**CLASSIFICATION:** Open

## **Wards Affected**

County-wide

## **Purpose**

To brief the Committee on the commissioning arrangements that are in place between the Council and Amey Herefordshire.

## **Recommendation**

**That the content of the report is noted.**

## **Introduction and Background**

1 The report provides an overview of the commissioning arrangements in place with Amey Herefordshire. Amey provide a range of place based services for Herefordshire Council, they are:

- Highways
- Public convenience cleaning
- Street cleaning
- Servicing of waste recycling sites
- Parks
- Public rights of way
- A range of ancillary services to the council, including:
  - Print
  - Event catering
  - Courier
  - Vehicle maintenance
  - Sign Shop
- Building and grounds maintenance of the corporate estate
- Facilities management
- Engineering and architectural professional consultancy and design services.

2 This strategic partnership is founded on two base contracts, both of which commenced on the

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Further information on the subject of this report is available from  
Clive Hall, Highway Network Manager on (01432) 260786

1<sup>st</sup> September 2003. The first of these was for Contract Services, which includes for all the items on the above listing, except for engineering and architectural professional consultancy and design services. The second, for Consultancy Services covering, engineering and architectural professional consultancy and design services. Both contracts use the New Engineering Contract (NEC) as the base form of contract and both were linked through a NEC partnering option to form a three way partnership between Herefordshire Council, Herefordshire Jarvis Services Ltd (HJS) and Owen Williams Consultants, who were the successful tenderers at that time.

- 3 HJS was a joint venture company (JV) between the Jarvis Group and Herefordshire Council. Though the JV arrangements Herefordshire Council was able to retain certain controls/influence over the activity of the JV and this established an opportunity for gains share between the Jarvis and Herefordshire Council as shareholders in the JV. Gains share opportunity was established in the Consultancy Services arrangements through the early transition to a target cost payment mechanism for these activities. Target cost is a payment mechanism where 'gain' from efficient delivery is shared on a 50/50 basis between client and consultant and the 'pain' of inefficient delivery is similarly shared, this incentivising improvement in efficiency through collaborative working.
- 4 Amey acquired Owen Williams Consultants, becoming Amey OW Ltd, and also Jarvis' share in the JV, forming Amey Wye Valley Ltd. This presented Herefordshire Council with an opportunity to develop its relationship with one strategic partner Amey. This opportunity was taken up following a service review and resulted in the renegotiation of all the above services with the exception of building and grounds maintenance, facilities management and the engineering and architectural professional consultancy and design services that support these areas.
- 5 The renegotiated arrangements commenced on the 1<sup>st</sup> September 2009 following a further transfer of client role and associated staff from the Council to Amey Herefordshire (AH). This element of our strategic partnership with Amey builds upon the 2003 base contracts and forms a managing agent type contract referred to as a Managing Agent Type Contract (MAC). In this contract form the relationship between client and provider is at a strategic level and AH deliver an 'end to end' service in all areas. AH are Amey Wye Valley and Amey OW Ltd working as 'one Amey' in Herefordshire. The services that remained outside of these arrangements are now referred to as 'Non-MAC'. These non-MAC services utilise the base contracts for Contract services and Consultancy Services in their original 2003 form.

## Key Considerations

- 6 The Managing Agent Type Contract (MAC) requires Amey Herefordshire (AH) to plan, manage and deliver services to best meet the outcomes desired by Herefordshire Council; the arrangement elevates them from 'simple' term contractor and consultant to effectively the Council's highway, parks and public rights of way services. Activities are managed through a comprehensive 'joined up' programme which details when, where and how much is planned to be spent to deliver services across the county. AH submit this programme for the council's acceptance as an annual 'baseline' and with updates on an at least quarterly basis.
- 7 AH self order works and services (with the exception of Ancillary services which are ordered as needed by various clients across Herefordshire Council) through an agreed set of payment mechanisms that appropriately allocate the risk of delivery between the client and contractor. Payment is applied for on a monthly basis and this is subject to sign off and audit by the Council's Service Delivery Client Team (SDCT). Application for payment is supported by reporting on Actual Costs and Open Book Accounting. Financial management reports are also provided by AH monthly detailing: spend; commitments to date; and outturn projections. Movement in or between budget lines can only happen with client approval and unauthorised

overspends are repaid by AH. Through the MAC AH pay £1 Million as a guaranteed saving each year against a defined set of activities, and the MAC also provides mechanisms for other efficiency savings and revenue streams. The progress of the guaranteed saving are also reported on monthly.

- 8 Service improvement is driven through a performance framework that measures a range of key service and programme indicators, together with the attainment of wider corporate objectives in areas such as apprenticeships, volunteering, carbon reduction and the use of local products and services. This performance framework is linked to the reward of contract extension, continuity of business being a significant incentive for AH to continuously improve.
- 9 All contracts have an original term of 10 years (from 1<sup>st</sup> September 2003) with the potential to extend for up to a further 10 years in periods to be determined by the client. The SDCT monitors performance, which is also formally reported on by AH on a monthly basis. The SDCT also work with AH to develop the future performance framework to align the objectives of AH with the strategic direction of the Council.
- 10 Payment for the non-MAC services are also applied for monthly and this is now done in a form that is compatible with the MAC, here orders are raised by the Council's Asset management and Property Services (AMPS) team. AH do include known non-MAC works on their programme but here responsibility for the operational management of the service is largely retained by the AMPS team.
- 11 The non-MAC service is managed through regular client / contractor / consultant meetings and on a project specific basis. MAC services are managed through regular interaction (the SDCT is co-located with AH) and a structure of weekly commercial meetings, monthly operations meetings (also involving representatives from the wider client) and a monthly performance and compliance meeting.
- 12 Overall governance of this Strategic Service Delivery Partnership is provided through a Strategic Partnership Board, which aims to meet quarterly and the JV Company has council observers on its board. The named project manager for all contracts is the Highway Network Manager, who leads the SDCT. The SDCT is an example of 'Thin Client' commission management.

## **Community Impact**

- 13 Amey Herefordshire deliver, on behalf of the council, a range of high profile customer facing services in all areas of the County.

## **Financial Implications**

- 14 For the 2011/12 financial year AH are responsible for the delivery of a revenue budget of £7,718,297, a 'non pay' revenue budget of £685,332 and a capital budget of £9,971,982 a total of £18,375,611. All AH managed budgets are projecting spend to budget.

## **Legal Implications**

- 15 None as a result of this report.

## **Risk Management**

- 16 For the MAC risk is managed dynamically through the exchange of early warnings which highlight matters which may impact on time, quality and/or cost, providing the opportunity for

partners to minimise the impact and/or actively manage the consequences. A risk register is also maintained by the partners and is used to inform management activity. This register is reviewed at both operations and performance and compliance meetings.

## **Consultees**

17 None

## **Appendices**

None

## **Background Papers**

Report to the Audit and Corporate Governance Committee entitled 'Amey Service Delivery Partnership Cost Control' dated the 28 September 2009