

MEETING:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	13 MAY 2013
TITLE OF REPORT:	STREETSCENE – MAJOR PROCUREMENTS
REPORT BY:	ASSISTANT DIRECTOR PLACE BASED COMMISSIONING

1. Classification

Open

2. Key Decision

This is not a key decision

3. Wards Affected

County-wide

4. Purpose

To inform the Committee of progress with the Streetscene major procurements that are currently underway and seek views on any issues that the Committee would wish to be considered in concluding the procurement process to put in place new contractual arrangements from the end of August 2013.

5. Recommendation(s)

THAT:

- (a) **The progress with the Streetscene procurements are noted and that the Committee comment upon any issues that it would wish to be considered in concluding the procurement process to put in place new arrangements from the end of August 2013.**

6. Key Points Summary

- The partnership with Amey was considered as part of Streetscene Review. In July 2012, Cabinet decided not to extend the current arrangements but to re-procure the services currently within the scope of the service delivery contract.
- The procurement strategy has been developed using the feedback received during the market consultation and consultations with members, staff, and other stakeholders. The approach being taken seeks to re-commission the services to ensure value for money, deliver savings and meet Cabinet objectives.

Further information on the subject of this report is available from Rob Ewing,
Commissioning Programme Delivery Manager Tel: (01432) 383660

- Four related procurements have been established to put in place new arrangements from 1 September 2013. These are outlined in more detail within the report and cover Public Realm; Building Services; Building Cleaning; Ancillary Services.
- Cabinet is due to consider these major procurements at a meeting on 13 June 2013. Members comments are invited regarding matters that they would wish to see considered in concluding the procurement for these services.

7. Alternative Options

7.1 None

8. Reasons for Recommendations

8.1 To inform the committee on progress being made in replacing the current service delivery partnership with Amey and seek their views.

9. Introduction and Background

9.1 The partnership with Amey was considered as part of Streetscene Review. In July 2012, after a period of negotiation with Amey, Cabinet decided not to extend the current arrangements but to re-procure the services currently within the scope of the service delivery contract. In September 2012 a market consultation was carried out to inform the approach to commissioning the services in scope. A procurement strategy was developed to guide the re-commissioning of the services to ensure value for money, deliver savings and meet Cabinet's further objectives. In October 2012 a programme of related procurements commenced to put in place new contractual arrangements from 1 September 2013. This report provides an update on these procurements and sets out the timetable for completing the process through to the award of contracts.

9.2 These procurements are currently underway and by their nature involve commercial discussions with potential providers. This report therefore does not cover any matters that may be commercially sensitive or matters relating to service delivery by our current provider. It provides an opportunity to outline the procurement process and timetable and invite comments from the Committee regarding progress and issues Members would wish to be considered in concluding the procurements.

10. Key Considerations

10.1 The decision not to extend the current contracts with Amey was taken by Cabinet in July 2012. The council currently has two contracts with Amey: one with Amey Consulting for professional services and one with Amey Wye Valley to provide a variety of works and services. The re-procurement of services contained within these current contracts is required to put in place new arrangements to start on 1 September 2013.

10.2 The procurement strategy takes into account the following constraints and principles:

- a. The need to ensure service continuity at the end of the current Herefordshire Service Delivery Partnership. This partnership is due to end on 31 August 2013.

- b. Any future arrangements must continue to support the developing localism agenda and Herefordshire’s localities strategy.
 - c. Local organisations should be encouraged and supported to bid for and deliver services commissioned by the council.
 - d. The arrangements will be commissioned in line with Herefordshire Council’s commissioning principles.
- 10.3 The review affects four Cabinet Portfolios and includes important local services which influence the daily lives of all local residents as well as corporate services to all parts of the organisation.
- 10.4 The services currently delivered by the Amey partnership are shown below.

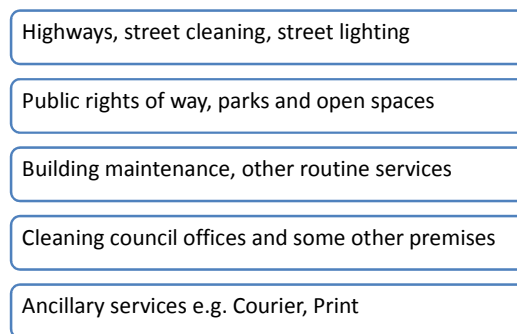


Figure 1 Scope of services

- 10.5 The procurement strategy has been developed to deliver the outcomes that we require, define the scope and structure of contracts, and ensure compliance with EU rules. It has been informed by a number of sources of information including: the World Class Highways project, highways asset management, the market consultation which took place in the second half of 2012; a review of property services; feedback from Members; and feedback from other stakeholders (Chamber of Commerce, Business, Parishes, Your Community Your Say, National Highways and Transport Survey).
- 10.6 The World Class Highways project was carried out during 2012. Herefordshire Council played a lead role in the development of a framework to assess current delivery against a “World Class Highway Service” in collaboration with the West Midlands Highway Alliance. The project engaged stakeholders from Amey operatives to Members. It assessed how effective the highway service is at delivering outcomes and identified areas for improvement, including increased opportunities for efficiency and savings. It has helped us develop the requirements for the re-procurement of highway services.
- 10.7 It is clear that the condition of roads in the county is an important factor influencing overall satisfaction with Council services. In addition, from an asset management perspective, roads in poor condition are more expensive to maintain than roads in good condition. Herefordshire needs capital investment in order to bring the roads up to an acceptable standard and reduce the on-going maintenance costs. One objective of the procurement process will be to put in place a facility for up-front investment in the highways asset. This investment will be sourced by the new providers. They will also be charged with developing a proposed capital investment programme that is designed to optimise road quality while minimising overall spend.
- 10.8 Following analysis of the above information, four groups of services are being taken

forward as separate but related procurements. They are:

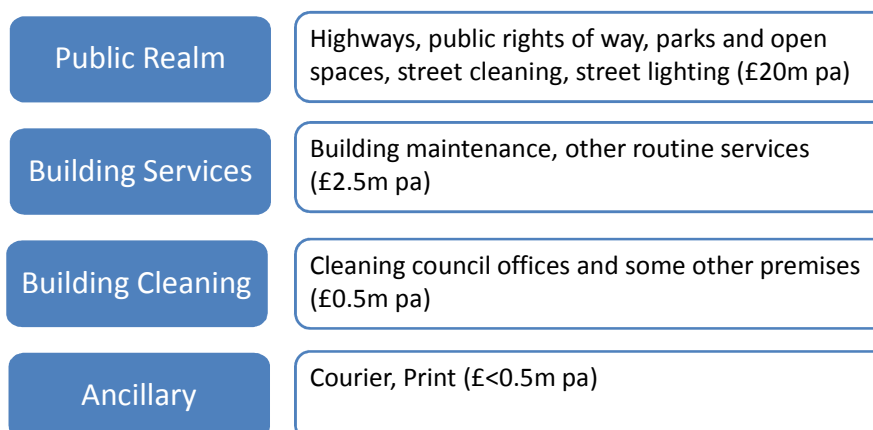


Figure 2 Scope of procurement projects

Overall outcomes and benefits being sought

10.9 The approach to each group of services is outlined below. However, the following summarises the outcomes which are being sought. The benefits expected from this programme of procurements are:

- a. Initial capital investment / asset management goals – asset quality
- b. Level of revenue savings / reduced costs – target savings £2.4m
- c. Demonstration of value for money / efficiency / risk management
- d. Service quality outcomes / Improved customer experience
- e. Local spend / support for local economy
- f. Sustainability
- g. Volunteering, community engagement and increased social capital
- h. Local tailoring of service delivery – locality teams / budgets
- i. Local spend / support for local economy
- j. Future flexibility in service delivery
- k. Customer service improvement – end to end

Public realm procurement process

10.10 The public realm procurement is following the competitive dialogue process. This process allows the ultimate solution to be developed through negotiation with a number of bidders. This approach was chosen to allow us to develop solutions that match the council's stated principles and the bidders to develop innovative approaches.

10.11 The public realm services are focused on maintaining and developing Herefordshire's highways and other public realm assets such as public rights of way and parks and open spaces. The council spent approximately £21.9m on these services in 2010/11 (total of revenue and capital spend)¹ of which approximately £2.4m was for professional services.

10.12 The strategic objectives of the new arrangements will be:

- a. Service quality outcomes / Improved customer experience
- b. Level of revenue savings / reduced costs
- c. Initial capital investment / asset management goals – asset quality
- d. Demonstration of value for money / efficiency / risk management
- e. Local spend / support for local economy

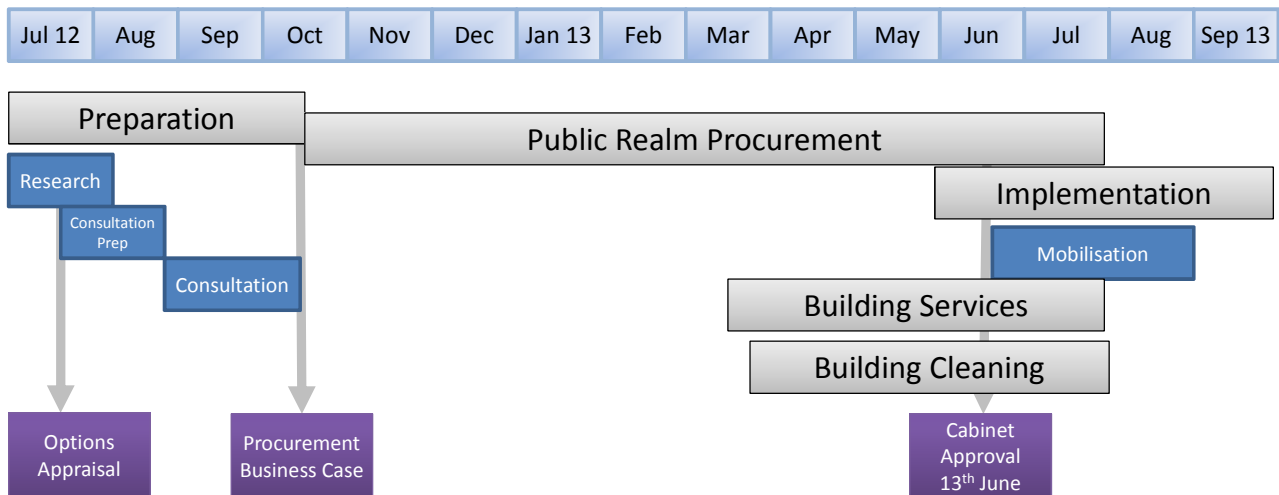


Figure 3 Procurement timeline

10.13 The procurement project plan aims to replace the current partnership by 1st September 2013. Although the competitive dialogue procedure has been used, the majority of the service is described in a specification, the dialogues enable us to develop certain aspects of the arrangements in cooperation with the bidders, these aspects include:

- a. Initial capital investment in the highways asset: bidders have proposed programmes of highways improvements that will reduce the long term requirement for routine maintenance. The aim is to improve our approach to management of the roads and to reduce the long term requirements for revenue spend;
- b. Support the localities agenda – we will look for approaches that encourage community involvement and local prioritisation of service delivery;
- c. Support for the local supply chain – the new arrangements look to widen the competition for services giving local companies more opportunities to bid for the work

¹ Cumulative Application payment analysis 2010/11 (created 11/05/2012) – excludes catering, print, sign shop, and toilet cleansing

- 10.14 The contract has been developed in consultation with our legal advisors, Bevan Brittan. It is based on the industry standard New Engineering Contract (NEC) contract model. This gives the security of a tried and tested industry standard contract but developed and enhanced for our local needs. The contract will have an initial 10 year term with possibility of extensions based on successful delivery of strategic performance measures.
- 10.15 The contract will be based on transparency of costs with a range of payment mechanisms including lump sum, target cost, and cost reimbursement. These will be selected to encourage increasing efficiency and effective planning.
- 10.16 The contract will include mechanisms to demonstrate value for money including benchmarking and an element of market testing. It has been designed to allow for future flexibility in service delivery so that it is able to continue to meet the council's strategic objectives throughout its term. The performance management regime is designed so that the measured performance leads to rewards or penalties.

Building services

- 10.17 The building services contract procurement has been designed to balance increasing opportunities for smaller and medium sized companies while avoiding the need for the council to create a significantly larger organisation to manage a large number of contracts. The specifications that have been developed include encouragement to deliver a range of community benefits.
- 10.18 The contract will be NEC based and will have an initial term of 3 years with possible extensions up to a further 2 years. This balances the need to offer the market a contract that will allow them to recoup the cost of mobilisation with the flexibility to fit in with any future approach to the delivery of asset management and property services given the current review and likely changes to the council's estate.
- 10.19 The timescales for the building services procurement are shown below. We have shortlisted 8 bidders who will be asked to tender for the services in May and June with a view to starting the new arrangements on 1 September 2013.

Starts	25/3/2013	11/3/2013	3/5/2013	26/6/2013	1/9/2013
Ends	11/3/2013	22/4/2013	11/6/2013	09/7/2013	1/9/2013



Currently at PQQ stage

- 13 PQQ's received
- Evaluation Completed
- Shortlist 8 suppliers
- Tenders invited early May with a closing date of mid June
- TUPE risks identified: HC & Supplier working to manage information.

Figure 4 Building services procurement

Building cleaning

10.20 The building cleaning contract will follow the same process as building services. The contract will again be for 3 years with a possible extension of 2 further years. The timetable for the building cleaning procurement is shown below.



Currently at PQQ stage

- 12 PQQ's received
- Evaluation underway
- Aim to shortlist between 5 and 8 suppliers
- Tenders invited mid May with a closing date of late June
- TUPE risks identified: HC & Supplier working to manage information.

Figure 5 Building cleaning programme

Ancillary Services

10.21 Demand for ancillary services such as printing and courier services has been reducing over recent years as the organisation has moved to more electronic means of communication. As such these services do not form a major procurement process and Commercial Services will be developing small scale procurement activity to better reflect demand.

Ensuring best practice

10.22 The procurement process has been supported with external advice from legal, procurement, and technical experts. This external advice has been used to provide a greater level of confidence in the agreements reached. Bevan Brittan are providing legal support, Bevan Brittan advised on the EU procurement issues in relation to the letting of the Northamptonshire, Plymouth, Buckinghamshire, Southampton, Warwickshire, Cheshire East and Hertfordshire highways maintenance arrangements and are presently advising in relation to the Gloucestershire highways contract. All were procured using competitive dialogue except for Warwickshire and Gloucestershire, which was, and is being, procured using the restricted procedure. All these procurements were delivered in accordance with procurement programmes and without challenge. Happold are providing technical support. Happold have been involved in a number of procurements for highways services and are also currently advising Gloucestershire Council.

Next Steps

Contract Award

10.23 The procurement programme is outlined in figure 3. Cabinet is due to consider these major procurements at a meeting on 13 June 2013 after which it would be expected that contracts

would be awarded to the successful bidders by the end of June / early July. This will then enable the providers to mobilise the services in time to commence by 1 September.

Mobilisation

10.24 Further details of the approach to mobilisation of the contracts covered by these procurements will be made available to Members once contracts have been awarded. As part of the mobilisation and early stages of each contract, the providers will be expected to engage with stakeholders and put in place their new ways of working. In particular, the Public Realm provider will have a key role in engaging with localities and parish councils in the autumn to understand their requirements and explore ways of working together to deliver services that meet local needs.

Conclusion

10.25 The Streetscene Major Procurements cover a wide range of services which are essential to meeting the needs of communities across Herefordshire. The procurement strategy to put in place new arrangements for these services has been developed over the past year based on the objectives of the Council, feedback from stakeholders and commercial considerations. This report has outlined the process and timetable for putting new arrangements in place and Members comments are invited regarding matters that they would wish to see considered in concluding the procurement for these services.

11. Community Impact

11.1 The services covered by these procurements are highly visible to the whole community and are vital to the maintenance and development of the highway network which represents one of our most important assets. The procurements will ensure that arrangements put in place will encourage community engagement and will be responsive to priorities within Localities.

12. Equality and Human Rights

12.1 Equalities and diversity requirements have been integrated into the procurement process and an equality impact assessment will be carried out before the new arrangements are in place.

13. Financial Implications

13.1 The current expenditure on Streetscene related services is in the region of £25million per annum covering capital and revenue. The Streetscene review has identified the potential to make significant savings from across these budgets through the current re-procurement exercises. These projects are expected to generate a mixture of revenue and capital savings of between £2.2m and £2.7m per year. These savings have been incorporated within the Council's overall savings plans. The costs associated with the procurement of these services have been budgeted for within the current financial year.

14. Legal Implications

14.1 The procurements referred to in this report are being undertaken in accordance with relevant legislative requirements, in particular the European procurement rules and where staff transfers are involved, the Transfer of Undertakings (Protection of Employment) Regulations 2006. In addition to support from Legal Services, specialist external legal

support is being provided by Bevan Brittan.

15. Risk Management

- 15.1 Risks are being managed throughout the Streetscene procurement projects and detailed risk registers are in place with appropriate mitigation identified. A number of key risks have been identified which are set out below.
- 15.2 **Risk:** Slippage to the procurement timetables outlined above could present a risk to service continuity and savings. **Mitigation:** Additional resources have been allocated to the project to ensure specialist and technical support is available to ensure the procurements proceed to plan.
- 15.3 **Risk:** A relatively short mobilisation period has been allowed for within the plan which may result in service delivery risk during transition. **Mitigation:** we have been working closely with Amey to manage this process and commitments have been made to ensure full cooperation during any transition.
- 15.4 **Risk:** The services within scope are high profile front line services and any break in service or reduction in service quality during transition could negatively affect the reputation of the Council. **Mitigation:** A robust approach to mobilisation planning is being incorporated into each of the procurements to ensure the providers put in place service delivery arrangements for the 1st September 2013. This will include clear communication plans to explain the new arrangements to our customers and stakeholders.

16. Consultees

- 16.1 Consultation was carried out during the Streetscene Review to inform the development of the procurement strategy outlined within this report. This included engagement with Members, parish councils, key stakeholders, including local communities, in consultations on future service priorities as appropriate.

17. Appendices

- 17.1 None

18. Background Papers

- 18.1 None identified