

<b>MEETING:</b>	<b>CABINET</b>
<b>DATE:</b>	<b>13 JUNE 2013</b>
<b>TITLE OF REPORT:</b>	<b>STREETSCENE – MAJOR PROCUREMENTS</b>
<b>PORTFOLIO</b>	<b>MAJOR CONTRACTS</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR PLACE BASED COMMISSIONING</b>

## 1. Classification

Open

## 2. Key Decision

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 to which the decision relates.

Notice has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

## 3. Wards Affected

County-wide

## 4. Purpose

To inform Cabinet of progress with the Streetscene major procurements that are currently underway and seek approval for officers to proceed to award contracts to put in place new service delivery arrangements for 1 September 2013 when current contracts come to an end.

## 5. Recommendation(s)

**THAT:**

- a) **Cabinet authorises the Director for Places and Communities ('the Director') to enter into the contract for Public Realm Services with X ('the preferred bidder'), subject to the Director receiving from the preferred bidder satisfactory confirmation of tender commitments;**
- b) **In the event the Director (in his opinion) has not received satisfactory confirmation of tender commitments from the preferred bidder, Cabinet authorises the Director to enter into the contract for Public Realm Services with Y ('the reserve bidder'), subject to the Director receiving from the reserve bidder satisfactory confirmation of tender**

commitments;

- c) **In the event the Director (in his opinion) has not received satisfactory confirmation of tender commitments from either the preferred bidder or the reserve bidder, Cabinet authorises the Director to enter into the contract for Public Realm Services with Z ('the second reserve bidder'), subject to the Director receiving from the second reserve bidder satisfactory confirmation of tender commitments;**
- d) **Cabinet authorises the Director (in consultation with the Chief Officer Finance and Commercial, and the Cabinet Member for Major Contracts) to conclude the procurement of Building Services, Building Cleaning, and Ancillary Services; and award contracts to the successful tenderers; and**
- e) **Thanks are extended to all bidders for the courteous, prompt and productive way in which they have all participated in these procurements.**

## **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 was developed using the feedback received during the market consultation and consultations with members, staff, and other stakeholders. The approach taken aimed to re-commission the services to ensure value for money, deliver savings and meet Cabinet objectives. The approach to these procurements was considered by General Overview and Scrutiny Committee on 13 May 2013 which noted the approach and recommended that financial information in relation to Public Realm services covers capital and revenue, stakeholders are provided with feedback in relation to the approach taken and that Town and Parish Councils are actively engaged in relation to locality service delivery as part of mobilising the new public realm services.
- Four related procurements have been established to put in place new arrangements from 1 September 2013:
  - Public Realm;
  - Building Services;
  - Building Cleaning; and
  - Ancillary Services.
- The recommendations from the public realm procurement are presented at Appendix A. Cabinet are requested to approve the recommendations and delegate authority to the Director of Places and Communities to complete the process of putting in place the new arrangements.
- It is proposed to put in place two significant contracts covering Building Services and Building Cleaning. These procurements are being carried out under the EU restricted

procedure and this report seeks delegated approval to conclude this process and award contracts, in consultation with the Cabinet Member for Major Contracts. Minor ancillary services not covered by these contracts will in future be procured under standing orders offering maximum opportunities for small and medium sized enterprises (SMEs) to tender for such work.

## **7. Alternative Options**

- 7.1 None. Not accepting the above recommendations could result in a challenge to the Public Realm procurement process which would delay contract award, result in significant costs to the Council and affect service continuity in these important front line services

## **8. Reasons for Recommendations**

- 8.1 To conclude the procurement processes required to put in place new contractual arrangements to ensure service continuity from 1 September 2013 when the current arrangements come to an end.

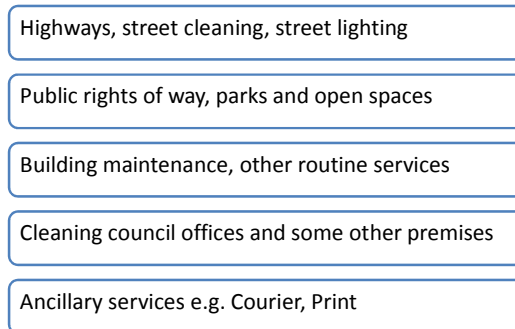
## **9. Introduction and Background**

- 9.1 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 existing service delivery contracts. 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 explains the approach and sets out the timetable for completing the process through to the award of contracts.

## **10. Key Considerations**

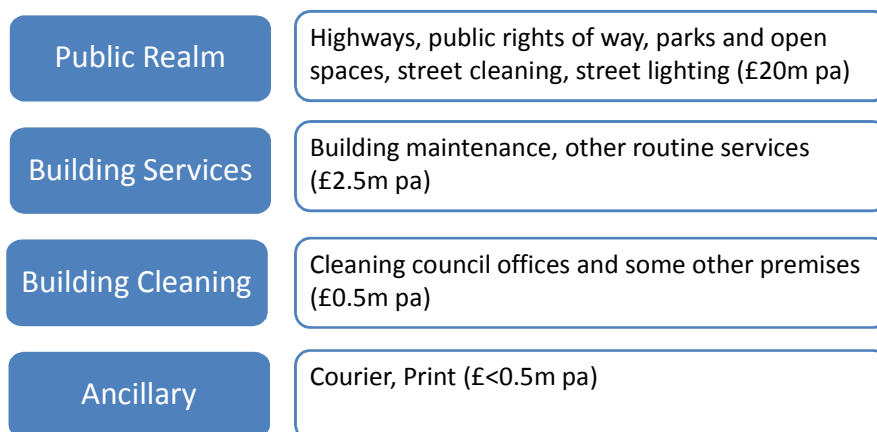
- 10.1 The decision not to extend the current contracts with Amey was taken by Cabinet in July 2012. The council currently has two contracts with Amey: one with Amey Consulting for professional services; and one with Amey Wye Valley to provide a variety of works and services, together these contracts are referred to as the Herefordshire Service Delivery Partnership. 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 has taken 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 This project 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 Herefordshire Service Delivery Partnership are outlined in broad terms below.

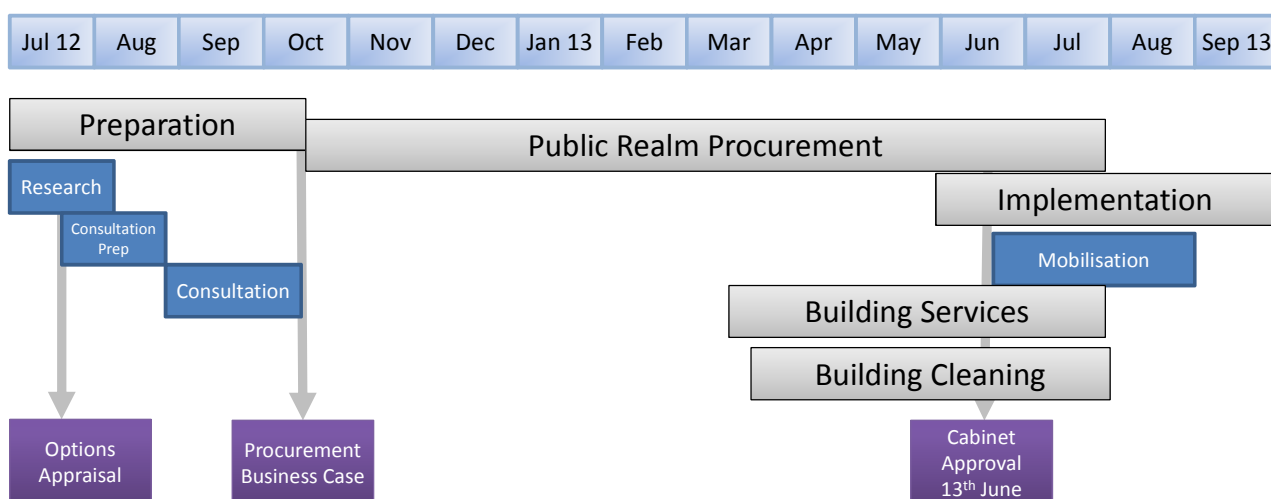


**Figure 1 Scope of services**

- 10.5 The procurement strategy was developed to deliver the required outcomes, define the scope and structure of contracts, and ensure compliance with European procurement rules. It was 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 (the Chamber of Commerce, Business, Parishes, Your Community Your Say and the 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’s 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 is to ensure the availability of a facility for up-front investment in the highways asset. This investment will be available via the new provider. They will also be charged with developing a proposed capital investment programme that is designed to optimise road quality while minimising overall spend. The ability of bidders to meet this requirement has been confirmed through the procurement process. The preferred bidder will be required to develop a business case for consideration by Cabinet prior to the council committing to this investment. It is currently anticipated that this will be the subject of a report to Cabinet in July.
- 10.8 Following analysis of the above information, four groups of services have been taken forward as separate but related procurements. The scope and timetable for this is set out below:



**Figure 2 Scope of procurement projects**



**Figure 3 Procurement timeline**

### Overall outcomes and benefits expected

10.9 The following summarises the outcomes agreed with Cabinet which are being sought from this programme of procurements. They have been used to guide the procurement process, the evaluation of tenders and the terms of the Public Realm Services contract:

- ensuring the Public Realm is accessible, safe, clean and well-maintained;
- developing a business case for the investment of up to £20 million in the highways network to provide on-going savings in maintenance costs;
- maintaining the delivery of essential services;
- achieving value for money, facilitated by process improvement and transparency through open book accounting;
- achieving service delivery which is efficient and responsive to local needs and priorities; and
- contributing to the regeneration of the economy and social capital in Herefordshire.

## Public realm procurement recommendation

- 10.10 The results of the completed scoring of each tender will be **announced by the Cabinet Member for Major Contracts at the Cabinet Meeting** which will complete the table set out within Appendix A. This is necessary to maintain confidentiality prior to the meeting and enable communications to the bidders and their employees to be appropriately managed. The completed table will identify the scores obtained by the three bidders in the process (Bidders X; Y and Z). Appendix A outlines the procurement evaluation methodology used. Appendix C (Descriptive Document 2 (CDP) Public Realm (V1 0) 2012 10 21)) outlines the details of the procurement process as set out to bidders at the commencement of the procurement process. This process has been followed without delay or variation.
- 10.11 The procurement recommendation is for the highest scoring bidder to be confirmed as the Preferred Bidder and for Cabinet to authorise the Director for Places and Communities ('the Director') to enter into the contact for Public Realm Services on behalf of the Council. Subject to receipt of that approval, work will progress to confirm the tendered commitments made by the Preferred Bidder before the Public Realm Contract is entered.
- 10.12 If the Director is not satisfied with the confirmation of the Preferred Bidder's tendered commitments, it is recommended that Cabinet authorises the Director to proceed to confirm the commitments made by the second highest scoring bidder (the Reserve Bidder) and, if satisfactorily confirmed, to enter into the contact for Public Realm Services on behalf of the Council.
- 10.13 If the Director is not satisfied with the confirmation of the Reserved Bidder's tendered commitments, it is recommended that Cabinet authorises the Director to proceed to confirm the commitments made by the third highest scoring bidder (the Second Reserve Bidder) and, if satisfactorily confirmed, to enter into the contact for Public Realm Services on behalf of the Council.
- 10.14 The dialogues with bidders have enabled us to secure commitments in relation to the approach to service delivery. These include:
- a. Initial capital investment in the highways asset: the proposed preferred bidder has proposed the development of programmes of highways improvements that will reduce the long term requirement for reactive 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 – the proposed approach encourages 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 open and transparent opportunities to bid for the work
  - d. Support for economic regeneration within Herefordshire.
- 10.15 The Public Realm 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. A high level description of the contract is included at Appendix C.

## **Building Services**

- 10.16 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.
- 10.17 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.
- 10.18 The procurement is being carried out under the EU restricted procedure. Invitations to tender have recently been issued and the project is on target to put in place new arrangements by 1 September 2013. Cabinet is asked to delegate the award of contracts to officers in consultation with the Cabinet Member for Major Contracts.

## **Building Cleaning**

- 10.19 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 above.
- 10.20 The procurement is being carried out under the EU restricted procedure. Invitations to tender are due to be issued shortly and the project is on target to put in place new arrangements by 1 September 2013. Cabinet is asked to delegate the award of contracts to officers in consultation with the Cabinet Member for Major Contracts.

## **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 is undertaking small scale procurement activity to better reflect demand. Due to the nature of these services and the associated values, such services will be procured in accordance with normal standing orders offering maximum opportunities for small and medium sized enterprises (SMEs) to tender for work.

## **Ensuring best practice**

- 10.22 The procurement process has been supported with external advice from legal, procurement, financial 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 have 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 and Mobilisation**

10.23 The procurement programme is outlined in figure 3. Assuming that the recommendations of this report are accepted, contracts will be awarded to the successful bidders by the end of June / early July for public realm and early August for other contracts. This will then enable the providers to mobilise the services in time to commence by 1 September. As part of the mobilisation and early stages of each contract, the Public Realm provider will be expected to engage with stakeholders and put in place its new ways of working. A communications plan will be developed to ensure that stakeholders are made aware of the new arrangements. In particular, Town and Parish Councils will be contacted with reference to public realm services to ensure engagement in service delivery, an understanding of their requirements and exploration of ways of working together to deliver services that meet local needs through further development of initiatives such as the Lengthsman scheme. In addition, the Public Realm provider will work with the Council to prepare the business case for capital investment in the highway network for consideration by Cabinet.

### **Conclusion**

10.24 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 details the results of the public realm procurement and confirms that the other procurements are on target to deliver their objectives. Cabinet is asked to approve the recommendations to enable contracts to be put in place.

## **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 the services within the scope of the Streetscene procurements is in the region of £25million per annum covering capital and revenue. The re-procurement of services has been conducted on the clear understanding that savings can and will be achieved. The expenditure in relation to these services will be managed within the funding available whilst working with providers to deliver efficiencies and improvements. The ongoing management of the contractual arrangements will be important. The Council will need to work with its chosen providers to continually review and improve the delivery of services. The procurement process has sought to ensure that chosen providers are clearly



focused on achieving on-going efficiencies and savings for the benefit of Herefordshire. The costs associated with the procurement of these services have been budgeted for within the current financial year.

- 13.2 Expenditure in relation to public realm services covers both revenue and capital elements. Expenditure in recent years has varied in line with demands placed upon the service (for example reflecting severe weather conditions), delivery of major projects and variations in government grant levels. Overall expenditure has been as follows, including current year expected expenditure:

	2010/11	2011/12	2012/13	2013/14
<b>Revenue expenditure</b>	£8m	£10m	£11m (incl. additional flood repairs)	£7m
<b>Capital expenditure</b>	£13m	£11m	£9m	£11m

## 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 these 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 guarantee that specialist and technical support is available to ensure the procurements proceed to plan.
- 15.3 **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. A relatively short mobilisation period has been allowed for within the plan which may result in service delivery risk during transition. **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 1 September 2013. This will include clear communication plans to explain the new arrangements to our customers and stakeholders. We have been working closely with Amey to manage this process and commitments have been made to ensure full cooperation during any transition. In the Public Realm procurement, all bidders have provided fully resourced programmes setting out how they will undertake mobilisation. The costs of mobilisation have been provided and have been capped.

- 15.4 **Risk:** The nature of the Public Realm Contract is deliberately flexible to be able to respond to changing priorities, needs and budgetary constraints. Service delivery needs to be planned in advance of each financial year but will not be the same in each financial year. **Mitigation:** Whilst the Provider will be expected to take the lead in the planning the delivery of services (based on sound asset management principles) the Council will need to be properly resourced to set the appropriate strategic objectives and manage and interrogate cost information in order to better understand the true cost base for the Public Realm services and continue to drive efficiency, innovation and improvement.
- 15.5 **Risk:** Given the scale and complexity of these services the risks will be many and varied over the term of the contract. It is essential that both the client and provider recognise and work to manage risks, as they are apportioned between them, if they are to achieve the Council's objectives through the contract. As such it is essential that the Council mobilises the appropriate client contract management resources and supports their effective operation throughout the term of the contract, if the potential for enhanced value for money realised through the procurement of Public Realm services is to be made real. **Mitigation:** Client mobilisation will be run in parallel with the mobilisation of the provider of Public Realm services.

## 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. The approach to these procurements was considered by General Overview and Scrutiny Committee on 13 May 2013 which noted the approach and recommended that financial information in relation to Public Realm services covers capital and revenue, stakeholders are provided with feedback in relation to the approach taken and that Town and Parish Councils are actively engaged in relation to locality service delivery as part of mobilising the new public realm services.

## 17. Appendices

- 17.1 A Public Realm procurement approach and tender evaluation recommendation
- 17.2 B High level description of the public realm contract.
- 17.3 C Description of Public Realm Competitive Dialogue Process and Timetable as issued to Bidders. (Descriptive Document 2 (CDP) Public Realm (V1 0) 2012 10 2) (Attached)

## 18. Background Papers

- 18.1 None