



# **Title of report: Decision to award The New Public Realm Services contract**

**Meeting: Cabinet**

**Meeting date: Thursday 18 December 2025**

**Cabinet Member: Cabinet member local engagement and community resilience**

**Report by: Corporate Director, Economy and Environment**

**Report author: Major Contracts Programme Director**

## **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.

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.

## **Wards affected**

All Wards

## Purpose

The purpose of this report is to:

- a) inform Cabinet of the outcome of the competitive procurement process carried out in accordance with the Cabinet report approved on 28 November 2024 and the updated Public Realm Services model as set out in Appendix 1; and
- b) seek Cabinet approval to award the contract for the provision of the Public Realm Services to the successful bidder.

## Recommendation(s)

That:

- a) **Cabinet approves the award of a contract (the Contract) for the provision of the new Public Realm Services to the successful bidder in accordance with the Cabinet report approved on 28 November 2024 and the updated Public Realm Services model as set out in Appendix 1 for an initial period of 6 years and 10 months (so as to align with Council financial years) and with the option for the Council to extend for a further 3-year period subject to and in accordance with the performance review mechanism set out in the contract.**
- b) **Cabinet delegates authority to the Corporate Director Economy and Environment to:**
  - i. **Finalise the contract and any ancillary contract documents;**
  - ii. **In consultation with Property Services, agree and enter into the necessary leases to the successful bidder to enable the provision of the Public Realm Services;**
  - iii. **On receipt of payment from the successful bidder, transfer the Council's existing equipment (plant and fleet but excluding the winter maintenance fleet) to the successful bidder so as to enable the provision of the Public Realm Services;**
  - iv. **Accept the transfer of identified roles (circa 60) pursuant to the Transfer of Undertakings Protection of Employment Rights (TUPE) from the incumbent; and**
- c) **Cabinet delegates authority to the Corporate Director Economy and Environment to make all operational decisions necessary to implement recommendations a) and b).**

## Alternative options

1. To reject the recommendation to award the contract to the successful bidder and to re-tender the Public Realm Services. This is not recommended. Through the competitive and comprehensive procurement process detailed in this report, the successful bidder has demonstrated the capability to deliver the Public Realm Services in accordance with the Council's requirements, strategy and statutory obligations. To not agree this decision would lead to significant time and resource implications associated with re-tendering the procurement, which will result in service disruption and increased costs to the Council.

2. To reject the recommendation to award the contract to the successful bidder and to consider an alternative delivery model. This is not recommended on the basis that various, alternative delivery models were considered in detail and discounted as set out in a report to Cabinet of 2 March 2023.

## **Key considerations**

### **Background**

3. Public Realm Services are a statutory function of the Council and vital to Herefordshire as they include maintaining and developing highway infrastructure, maintaining green areas, street cleansing, bereavement services, providing effective drainage, lighting the highway and enabling safe and reliable travel by all modes of transport, and access for business and leisure.
4. The current contract for Public Realm Services was awarded in 2013 and was heavily outsourced with the Council retaining a small client role and contract management function. Having considered that the contract model would no longer deliver the services to the Council's requirements, in April 2024 Cabinet agreed to the recommendation for the Council to terminate the current contract from 31 May 2026.
5. The contract for the provision of Public Realm Services is one of the Council's highest profile contracts and represents a significant financial and operational commitment. On 28 November 2024, Cabinet approved a new approach for the delivery of Public Realm Services including the transfer of some services back into the Council, along with a form of contract that utilises a schedule of rates from a price list, rather than being through a cost reimbursable plus fee model.
6. The procurement process and the contract for the new Public Realm Services were specifically designed to deliver the Council's vision as set out in the Cabinet report approved on 28 November 2024 and ensure the Council's delivery of its statutory duty to carry out (and ensure continuity of) Public Realm Services for Herefordshire. In addition, the new contract encourages engagement with community groups and Town/Parish Councils that will allow for top up, voluntary and paid services to be provided within the scope of the new contract.
7. Until the new contract commences on 1 June 2026, the Council and the incumbent provider will continue to work together to deliver the Public Realm Services under the current contract, and both parties have committed to work together to support a smooth transition to the new contracting arrangements.
8. This report sets out the detail of the procurement process followed to procure the new Public Realm Service contract. To maintain the integrity and fairness of the procurement process, the identity of the successful bidder cannot be released until the award letters have been sent out and the contract awarded in accordance with the Public Contract Regulation 2015.

### **The Procurement Process for the new Public Realm Service contract**

9. The procurement process for the new Public Realm Service contract commenced on 16 January 2025, with Appendix 1 setting out the updated Public Realm Services model. A contract notice was published setting out that the Council would conduct the procurement under the competitive procedure with negotiation in accordance with the Regulation 29 of the Public Contracts Regulations 2015 ("PCR"). The contract notice set out the key information contained in Table 1.

Table 1: Contract Notice Key Information

Total Contract Duration	Initial period of 7 years with an option to extend (at year 5) to a maximum of 10 years.	
Anticipated contract Commencement date	1 June 2026	
Estimated annual value	£15,000,000 - £20,000,000	
Estimated total value	£200,000,000	
Award Criteria	<b>Quality</b>	<b>58%</b>
	Q1 - Mobilisation	
	Q2 - Operational Delivery – Reactive Works	
	Q3 - Operational Delivery – Cyclical Works	
	Q4 - Operational Delivery – Extreme Weather Events	
	Q5 - Carbon Reduction	
	<b>Social Value</b>	<b>12%</b>
	<b>Price</b>	<b>30%</b>

Selection Stage

10. The first stage of the procurement process assessed a candidate's economic and financial standing and technical and professional experience of delivering services similar to the Public Realm Services. This assessment was in the form of the Common Assessment Standard questionnaire (Government mandated for works contracts) as well as pass/fail and scored questions specific to the Public Realm Services.
11. Selection Stage submissions were invited by 17 February 2025. The Council received four compliant submissions which all of whom were invited to proceed to the next stage of the procurement process.

Invitation to Submit Initial Tenders

12. The second stage of the procurement process commenced with the issuing of the Invitation to Submit Initial Tenders (ISIT) on 17 March 2025.
13. The Council received four compliant Initial Tender submissions. A negotiation team consisting of a mix of officers of the Council and external advisers carried out a gap analysis review of each Initial Tender submission to identify whether the submissions could be sufficiently improved to better meet the Council's requirements by negotiating. The negotiation team considered this was the case and the recommendation to proceed to the negotiation stage was approved by the Project Board on 20 June 2025.

14. The Council issued a summary of relevant points document to all four tenderers outlining the outcome of the gap analysis review and anticipated amendments to the procurement and contract documents for the next stage.

#### Negotiation Meetings

15. The negotiation team engaged in two rounds of negotiation meetings with each tenderer in the weeks commencing 14 and 21 July 2025. The aim of the negotiation meetings was to respond to clarification issues raised by tenderers, give feedback to tenderers following the gap analysis review and to negotiate Initial Tenders with the aim of improving their content.
16. Tenderers were provided with equal opportunity to submit information for the Council's consideration pre and post negotiation meetings and following successful negotiation, all four tenderers proceeded to the next stage.
17. The Council issued a summary of relevant points document to all four tenderers outlining the Council's position on the clarifications raised and anticipated amendments to the procurement and contract documents for the next stage.

#### Invitation to Submit Final Tenders

18. The third stage of the procurement process commenced with the issuing of the Invitation to Submit Final Tenders on 18 August 2025. This stage marked the final opportunity for tenderers to submit their improved submissions incorporating the Council's responses to all clarifications raised by suppliers and the information shared pre, during and post negotiation.
19. The Council received four compliant Final Tender submissions. An evaluation team consisting of a mix of officers of the Council and external advisers carried out an individual evaluation of each tenderers Final Tender submission and then convened for moderation meetings to agree the moderated scores and reasons for the score in the week commencing 20 October 2025. As part of a review of each tender, a reasonableness check was also carried out to ensure the quality submissions were reflective of the prices submitted.
20. Following completion of the moderation process, the evaluation methodology for Final Tenders as set out in the Invitation to Submit Final Tenders document was carried out and the successful bidder was identified as the most economically advantageous tender (i.e. achieving the highest aggregated score for quality, social value and price) capable of meeting the Council's requirements for the provision of the Public Realm Services.

### **Community impact**

21. The Council has a stated objective to Develop Herefordshire as a place for growth, prosperity and communities to thrive. A key milestone in realising that objective is the delivery of the Public Realm services. We are committed to awarding the new Public Realm contract, to the demobilisation of the current contract and to commence mobilisation of the new contract

## Environmental Impact

22. The contract is aligned to the Council's 2030 net zero carbon emission targets including commitments to:
  - a. improve drainage and increase flood resilience;
  - b. reduce the Council's carbon emissions year on year;
  - c. work in partnership with others to reduce carbon emissions; and
  - d. improve air quality.
23. As part of its tender submission, the successful bidder provided a draft carbon reduction and management action plan for delivery of the Public Realm Services by 2030 in line with the Council's net zero carbon initiatives. The successful bidder outlined its commitments and targets year on year to reduce carbon emissions and how it will deliver a circular economy. In line with the contract, the successful bidder also set out how it will deliver an Ultra Low Emission Vehicle and Electric Vehicle fleet, with the contract mandating that any vehicle used in the delivery of the Public Realm Service with a weight of 3.6 tonnes or more must be fuelled by Hydrotreated Vegetable Oil ("HVO") and that any vehicle with a weight of less than 2 tonnes be required to be electric.

## Equality duty

24. The Public Sector Equality Duty requires the Council to consider how it can positively contribute to the advancement of equality and good relations and demonstrate that it is paying 'due regard' in our decision making in the design of policies and in the delivery of services.
25. The Equality Impact Assessment for the impact on the services has been updated following the procurement process and is provided in Appendix 2 of this report.
26. There are no negative impacts identified from this project.

## Resource implications

27. The procurement has been via a competitive process in accordance with the Public Contracts Regulations 2015 to ensure the Council secures best value for money.
28. The significant financial commitment and the financial resources associated with the procurement have been carefully managed to ensure the cost of the procurement is delivered within the agreed overall project budget, which has been funded from revenue reserves.
29. The estimated annual contract value is between £15 million and £20 million, but the Council is not committed to a guaranteed spend. The contract has built in mechanisms that allows the Council to control the level of works placed under each task order and to regulate the annual inflationary increases. This process will be carefully managed by the service area to ensure the contract continues to deliver value for money, is within budget and can deliver the necessary statutory functions.

30. An annual plan of public realm works will be delivered in line with the approved capital and revenue budgets and the Council's medium term financial strategy and delivery plans. On an annual basis, a plan of public realm works known as the Annual Plan will be drawn up in accordance with the Council's Highway Asset Management Plan and Highway Maintenance Plan. The Annual Plan is typically agreed through the Council's decision making process in January and February of each year and therefore the confirmation of public realm funding for 2026/27 and the delivery arrangements and mechanisms for the Annual Plan 2026/27 will be subject to a separate decision.
31. Officers have assumed total budgets for the three year period from April 2026 as set out in the following table and which will be used to fund staff and works undertaken through the final two months of the current contract, the new contract and the Council's own framework. The Department for Transport Highway Maintenance Block amounts were announced at the end of November 2025 and are subject to confirmation and receipt of further detail, in particular the incentive element. The Revenue Base Budget amounts are based on the 2025/26 value and are subject to Full Council approval in February of each year. These amounts do not account for any annual inflationary increases for 2027/28 or 2028/29 or any savings targets that may be proposed over the three year period through to 2028/29.

<b>Capital and Revenue Budgets</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>Total 26/27- 28/29</b>
	£000	£000	£000	£000	£000
DfT Highway Maintenance Block (Baseline)	16,751	17,297	19,248	21,435	57,980
DfT Highway Maintenance Block (Incentive)	6,178	6,400	8,201	8,260	22,861
Revenue Base Budget	7,042	7,206	7,206	7,206	21,618
<b>TOTAL</b>	<b>29,971</b>	<b>30,903</b>	<b>34,655</b>	<b>36,901</b>	<b>102,459</b>

32. Based on the above, Officers consider the available budgets to be sufficient to deliver the statutory functions through the new contract.
33. As part of the change management process, Anthony Collins (external legal support) and DMsqd (technical consultants) will support officers over the coming months to develop their technical knowledge and to ensure there is a clear understanding of how the new contract model will operate.
34. As set out in recommendation b) iii), on receipt of payment from the successful bidder, the Council's existing equipment (plant and fleet excluding the winter maintenance fleet) will transfer to the successful bidder so as to enable the provision of the Public Realm Services. Subject to a truing up mechanism, the sale and transfer of all of these assets may realise up to approximately £428k of capital receipts.

### Legal implications

35. External advisors Anthony Collins have supported Officers from relevant service areas throughout the procurement process.



36. The procurement process has been conducted in accordance with the Public Contracts Regulations 2015 (this is the applicable legislation due to the contract notice being published prior to the Procurement Act 2023 coming into force). The contract shall continue to be subject to the Public Contracts Regulations 2015 (e.g. in respect of any modifications made).
37. The Council has a statutory duty to undertake the public realm activities which are the subject of this procurement. The Council's duties in relation to highways and other structures are set out in the Highways Act 1980. The Council has a duty to maintain open spaces under the Open Spaces Act 1906.
38. The contract will involve the transfer of the existing workforce under the Transfer of Undertakings (Protection of Employment) regulations 2006 (TUPE) to the successful bidder and the Council. This process has been managed during the procurement process.

### **Risk management**

39. The strategic risks associated with the Public Realm Contract strategy have been reviewed and are being managed in accordance with the Council's Risk Management Strategy. Oversight of risk mitigations will continue through Herefordshire Councils established governance and assurance frameworks to ensure risks are effectively monitored, escalated, and addressed.
40. The key risks associated with the contract are set out in the following table:

<b>Risk</b>	<b>Potential Impact</b>	<b>Mitigation</b>
Operational Transition Risk	Disruption to services during handover from incumbent provider, including TUPE issues and asset delays.	<p>The Council has developed a mobilisation plan to ensure the transition period is monitored and handover milestones are clearly set out. The successful bidder's mobilisation plan was evaluated as part of the procurement process.</p> <p>The roadmap to the new model and contract from 1 June 2026 includes providing assurances to staff identified to transfer to the Council or new contract under the new model. The Council and the successful bidder will work together to provide the necessary assurances to transferring staff.</p> <p>The current provider has also been assisting with a smooth transition to the new model by providing the necessary information during the procurement process.</p>



		<p>The new delivery model will differ significantly from the current approach as previously outsourced services have now been brought in-house. Such operational change has been a key consideration of the Council, and this will be monitored through the management milestone, ensuring that the split role operational structure is well-integrated and that any associated operational risks are minimised.</p> <p>Additionally, as part of the change management process, officers of the Council will be trained on commissioning task orders to ensure a smooth management of the in-house services.</p> <p>As part of the procurement process, the Council required each supplier to outline its plans and resources to deliver a successful and seamless mobilisation, ensuring no disruption to services. Therefore, such operational risks have been identified by the successful bidder and procedures are in place to minimise service disruption.</p>
Legal risk	<p>Delay in the successful bidder executing the contract / mobilising the contract before the commencement date of 1 June 2026 impacting the ability of the service to deliver its statutory requirements.</p>	<p>A timetable has been established to ensure appropriate time is provided for internal governance to be carried out prior to the standstill letters being issued.</p> <p>External legal support has prepared the draft contract ready to issue out to the successful bidder and execute promptly after the expiry of the mandatory 10-day standstill period (early January 2026). On the assumption there will be no delay to the timetable, the successful bidder will have a four-month period to mobilise the contract so as to be ready to commence service delivery on 1 June 2026.</p>

		In the event of a legal challenge, expert advice will be obtained but no formal challenge has materialised at this time.
Financial risk	There is a risk that costs may overrun due to inflationary pressures, unforeseen service demands or supplier underperformance resulting in strains on the allocated revenue budget.	<p>Inflation adjustments are effective 1 April each year but use the index available at the previous 31 December. This seeks to provide cost and budget certainty to the Council by enabling price certainty for the financial year in advance.</p> <p>The model and contract follow best industry practice, have been subject to market engagement and the competitive procurement process has been subject to financial review and scrutiny.</p>
Supplier insolvency or underperformance	Insolvency could lead to service failure and increased costs for the Council.	<p>The contract has appropriate measures in place to mitigate the impacts of contractor insolvency such as:</p> <ul style="list-style-type: none"> <li>• <b>Parent Company Guarantee</b> - this provides the Council with protection in the event the successful bidder is unable to meet its obligations as its parent company will be required to step in and complete the service and/or cover losses. The Council has ensured the guarantor has sufficient standing and resources to discharge the contractor's obligations.</li> <li>• <b>Supplier Financial Risk Assessment</b> – At the selection stage, an assessment of the successful bidder's financial information was undertaken to ensure it met the Council's minimum financial requirements to perform the contract. The assessment consisted of reviewing the status of the successful bidder using Companies House information and reviewing the</li> </ul>

		<p>financial information submitted by the successful bidder against the Council's Financial Workbook. Prior to contract signature and as part of the due diligence exercise, the assessment will be repeated to ensure the successful bidder continues to meet the Council's minimum financial requirements and the ultimate parent company (providing the Parent Company Guarantee) meets the same. Further, a fraud prevention check and a commercial credit rating check will be carried out.</p> <ul style="list-style-type: none"> <li>• <b>Collateral Warranties –</b> The successful bidder must procure Subcontractor Collateral Warranties for the benefit of the Council.</li> <li>• <b>Performance Bond –</b> for capital works instructed under the contract, there is an option for the Council to require a performance bond to be obtained. The Council can seek to claim the bond amount from the bond issuer in the event of the successful bidder's insolvency.</li> <li>• <b>Retention –</b> at each payment assessment date in the final year, a retention percentage is retained by the Council. This is to incentivise the Contractor to remedy outstanding defects at the end of the Service Period.</li> </ul>
Performance	Underperformance.	<p>The Council has adopted a detailed performance management framework to monitor key objectives and the risks associated with underperformance. Such objectives will be monitored through a RAG status system on a monthly basis.</p>

		<p>This mechanism enables the Council to tackle any underperformance early in the process to ensure the successful bidder's commitments are effectively delivered and prevent sustained underperformance. Sustained underperformance may ultimately lead to termination of Bidder's A employment under the contract.</p> <p>The Council will conduct a thorough performance review at year five of the contract to assess whether the Contractor should be offered an extension to the Service Period.</p>
Reputational Risk	Public dissatisfaction	<p>Under the new Public Realm Service model, customer services (enquiries and complaints) will be handled directly by the Council. However, the successful bidder's approach to customer centricity (i.e., place the customer at the forefront of service delivery) has been evaluated as part of the procurement process.</p>

## Consultees

41. A session was undertaken on 5<sup>th</sup> December 2025 to brief all Members on the content of this report.

## Appendices

Appendix 1 – Updated Public Realm Services Model

Appendix 2 - Updated Service Impact Equality Impact Assessment

## Background papers

Cabinet 28 November 2024

<https://councillors.herefordshire.gov.uk/documents/s50122864/The%20New%20Public%20Realm%20Services.pdf>

Connected Communities Scrutiny Committee 15 October 2024

<https://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=1157&MIId=9355&Ver=4>

Cabinet 27 June 2024

<https://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=251&MIId=9301&Ver=4>

Cabinet 25 April 2024

<https://councillors.herefordshire.gov.uk/ieDecisionDetails.aspx?Id=10100>

Cabinet 2 March 2023

<https://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=251&MId=8905&Ver=4>

Connected Communities Scrutiny Committee 13 February 2023

<https://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=1157&MId=8826&Ver=4>

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

None.