

TRAFFORD COUNCIL

Report to: Executive
Date: 1st September 2014
Report for: Decision
Report of: Executive Member for Economic Growth and Planning
and Executive Member for Environment and Operations

Report Title

RESHAPING TRAFFORD: Economic Growth, Environment and Infrastructure

Summary

The report provides an update on progress to engage private sector partners for the delivery of a range of environmental, highways, professional, technical and infrastructure services. It seeks approval to proceed to the next stage of the procurement exercise which is the Invitation to Submit Detailed Solutions.

This procurement will ensure that service provision is forward thinking, flexible and resilient to meet future challenges and will contribute to Trafford delivering the agreed level of efficiency savings to meet the budget challenge from 2015/16 onwards.

Recommendation(s)

It is recommended that:

- 1) Approval is granted to proceed to the next stage for the procurement of Environmental, Highways and Technical Services through issuing an Invitation to Submit Detailed Solutions to shortlisted bidders for the specified services;
- 2) An update report be presented to Executive in December 2014 to report on progress so far;
- 3) A further report to be brought back to the Executive early 2015 setting out the outcome of the procurement process for the Executive to consider and approve any proposal prior to the signing of any contract; and
- 4) Executive request that the matter is referred to the Scrutiny Committee for consideration prior to the Executive meeting in early 2015.

Contact persons for access to background papers and further information: Richard Roe, Director of Growth and Regulatory Services and Dianne Geary, Senior Business Change Manager.

Extensions: x4265 and x1821

Background Papers: None

This report supports the following Corporate priorities;

Relationship to Policy Framework/Corporate Priorities	<ul style="list-style-type: none"> • Low Council Tax and Value for Money • Reshaping Trafford Council
Financial implications:	The Council is facing further austerity budgets with a deficit of c£20m in 2015/16 identified in the February 2014 budget report. In response, having already delivered on-going efficiencies, the service is seeking a partnership with private sector providers in order to deliver innovation and resilience in order to avoid cuts in service standards and job losses. Further details are set out in section 3.
Legal Implications:	<p>The procurement exercise and any extension to the existing contract including the current domestic waste contract must be handled in accordance with statutory requirements, EU regulations and Trafford's Contract Procedure Rules.</p> <p>It will be necessary to develop robust governance arrangements through the competitive dialogue process and to establish an appropriate role for Members in the future management of the services.</p>
Equality/Diversity Implications	Equality Impact Assessments have been carried out and have identified no impact. These will be reviewed and updated as the project progresses.
Sustainability Implications	None at this stage, though all bidders have been asked to submit bids which provide sustainable solutions.
Staffing/E-Government/Asset Management Implications	There could be significant staffing implications associated with this report as set out in section 7.

Risk Management Implications	A risk management log has developed as part of the overall governance for the Reshaping Trafford project, and is reviewed and updated on a regular basis. Any project of this scale carries risks in terms of achieving key deliverables, specifically savings aspirations and timing. These risks need to be set in the context of the overall financial challenge facing Trafford.
Health & Wellbeing Implications	These will be identified and addressed as part of the project plan.
Health and Safety Implications	None at this stage.

1. BACKGROUND

- 1.1 Trafford faces substantial financial pressures and the budgets for 2015 to 2018 will require further innovative savings provisions to be considered. This will involve a number of different approaches including reducing contract costs through improved procurement, commissioning of services, managing demand and partnership working.
- 1.2 Trafford is taking these different approaches forward through its 'Reshaping Trafford' programme and is identifying potential alternative delivery models, opportunities for increasing income and efficiencies across the full range of our services.
- 1.3 Rather than adopting a 'one size fits all' approach, the outcome will be the development of the right delivery model for each service. This pragmatic approach will deliver benefits expeditiously and will also allow us to plan ahead for the medium term.
- 1.4 Importantly, this project is directed at achieving sustainable service outcomes for residents whilst protecting jobs as far as practicable against the backdrop of reduced financial resources, driven by the four guiding principles of:
- Building on what we do well
 - Forward thinking
 - Being positive
 - Innovation
- 1.5 At their meeting on the 24th March 2014 the Executive approved that an OJEU notice be published for specified environmental, highways, technical and professional services, together with the approach/strategy to the overall procurement exercise. Further it was agreed that a report should be brought back to the Executive setting out the initial outcomes of the procurement exercise for approval to proceed to the next stage in the event that positive benefits were identified through the Invitation to Submit Outline Solutions.

1.6 Trafford set a number of high level desired outcomes to be delivered through this procurement exercise, specifically:

- **To deliver a minimum of 20% savings against the net budget from contract commencement.** In cash terms, 20% savings means that we are looking for an initial minimum saving in the region of £3m (for a full year) along with on-going efficiency savings throughout the life of the contract;
- **To deliver further, future efficiency savings through continuous improvement and innovation in service provision through the contract life.** Although the day to day operations would be managed by a third party/partner who would also look to grow/invest in the service the Council would have a continuing strategic role and responsibility to ensure the partnership continues to deliver efficiencies and savings;
- **To have flexibility, recognising the challenging financial climate facing local authorities at the moment.** Trafford Council is undergoing change and this process includes exploring alternative options to see how the Council can operate in the changing financial climate. The successful partner(s) bring additional expertise and resources to work in collaboration with the Council and respond to the on-going budget pressures; and
- **Protect jobs and maintain service standards in so far as practicable.** Since austerity began the Council has already saved c£50m, however we still have significant savings to make. Our priority remains to make sure we can identify sustainable levels of service delivery to the Trafford community and also protect jobs. This will potentially open up different opportunities for staff and further encourage and support the involvement of community groups in service delivery.

1.7 In the last three years the Council has delivered nearly £4m in savings and additional income, for the services in scope, as set out in the table below:

Services	Savings/income 2012/13 to 2014/15 (£m)
Environmental Services	1.6
Highways	1.5
Property and Development	0.7
Total	3.8

1.8 Trafford is recognised for lean and efficient services and has the foundations in place to build and develop for the future. The 'Reshaping Trafford' approach adopted provides exciting opportunities to work with market leader(s) in the industry to build innovation and resilience for the years to come. In the light of savings and efficiencies already made as above it is now the appropriate time to enter into new working arrangements with external partners to achieve the savings required and to realise greater efficiencies, investment, innovation and income generation opportunities.

- 1.9 The services being considered under this procurement exercise are Trafford's Environmental Services, including Commercial Waste, Domestic Waste, Street Cleaning and Grounds Maintenance; plus Highways Services, including Winter Maintenance, Bridges, Traffic and Transportation, Road Safety, Street Lighting and Furniture; Drainage; Greenspace Strategy; the Let Estate; Corporate Landlord; and Major Projects teams.
- 1.10 In addition, to deliver efficiencies in procurement, Manchester City Council's environmental services, including Domestic Waste and Street Cleaning, have been included as a specific sub-Lot. The budgeted value for the Manchester services in 2014/15 is £20m. Trafford Council are the overall procurement lead, but evaluation of bids will be carried out independently by officers from Trafford and Manchester for relevant services.
- 1.11 Contract(s) will be required to be in operation from early 2015/16 and to deliver significant budget savings from the outset, whilst maintaining high levels of service delivery and customer satisfaction.

2. SERVICES IN SCOPE

- 2.1 This new arrangement has combined a number of environmental and technical services within one procurement exercise with the aim of achieving better value for money and providing alternative sustainable delivery options for those services.
- 2.2 The contracts are being procured through a single procurement exercise, based upon competitive market dialogue, with services being offered in three Lots, including two sub-lots. Potential partners have been able to tender for any combination of Lots (and sub-lots), being:

Lot 1: Environmental Services:

Lot 1a: Trafford Environmental Services

Domestic waste;
Commercial waste;
Grounds maintenance; and
Street cleansing.

Lot 1b: Manchester Environmental Services

Domestic waste; and
Street cleansing.

Lot 2: Highways & Street Lighting (operational):

Lot 2a: Highways:

Highways;

Winter maintenance; and
Gully cleansing.

Lot 2b: Street Lighting

Street lighting infrastructure;
LED street lighting project; and
Street furniture.

Lot 3: Technical Services:

Highways and Bridges (engineering etc.);
Professional Services including Engineering Design; Asset, Project and Contract Management; and Developers Interface;
Building Professional Services including Major Building Projects; Structural Engineering; Mechanical and Electrical Engineering; Landscape Architects;
Operational Estate/Asset Management for the Corporate Estate and Schools;
Property Development; and Land Sales;
Management of Trafford's Investment Estate; and
Major Projects Team (Capital Build Team).

- 2.3 The annual current value of direct costs incurred in relation to these Trafford services in 2014/15 is £15.5m plus c£13m capital expenditure, which is variable dependent on Council activity. The breakdown of this total budget by Trafford lot is as follows:

Lot: Description	Revenue Budget 2014/15 (£m)
Lot 1a: Trafford Environmental Services	9.6
Lot 2a: Highways	2.4
Lot 2b: Street Lighting	0.6
Lot 3: Technical Services	2.9
Total	15.5

- 2.4 A further c£9.3m of capital (over the two years 2015/16 & 2016/17) has been identified to support the potential rollout of LED street lighting, subject to Executive approval based on a positive business case demonstrated through the procurement process and acceptable mitigation of any potential impacts.
- 2.5 Whilst the scope of services included within this procurement represents a change the Council has a successful record of delivering services in partnership. The domestic and trade waste elements of Lot 1a have been delivered through a private sector provider since 1992, and the budget for the current financial year for these services is £4.9m. The service has developed and improved over the period of the contract as demonstrated by the increase in recycling rates from 48% March 2013 to 58% March 2014. The average for Greater Manchester for 2013/2014 is 44.5% so Trafford is already a leader in

this area. Trafford waste contract accounts for 32% of the total value of the three lots.

- 2.6 The Council will provide strategic oversight, setting strategy, policy and agreeing service standards, supported by robust contract management throughout the life of the contract.

3. FINANCE IMPLICATIONS

- 3.1 The annual current value of direct costs incurred on those services included in the procurement exercise is £15.5m. A breakdown of this cost is provided above.
- 3.2 The Executive in March 2014 approved a total budget of £500,000 for the procurement process. The expected cost has now reduced to £450,000 which will cover the preparation, evaluation and implementation costs from project start to contract commencement in July 2015. The source of finance to pay for this cost will be from a combination of carried forward reserves of the Transformation and Resources (T&R) and Economic Growth, Environment and Infrastructure (EGEI) Directorates.
- 3.3 This use of reserves will cover the cost of backfilling staff seconded to work specifically on delivering this project. It also includes specialist commercial legal advisers who will be instructed to support the Council. This will ensure that procurement risks are mitigated, the best commercial outcome is delivered to the authority and the final contract provides us with the protections and recourse required to manage the partner effectively to deliver the required outcomes through the full contract lifecycle. Considering the term and total value of the contract, and the overall saving that is intended to be generated through this proposal, the level of investment in project and procurement costs is considered value for money based on the expected returns.

4. PROGRESS TO DATE

- 4.1 The OJEU notice for Trafford, in collaboration with Manchester City Council, was issued on 10th April and in excess of 200 organisations expressed an interest in participating in the process by the closing date of 30th April.
- 4.2 On the 1st May the Pre- Qualification Questionnaire (PQQ) was released to all organisations who had expressed an interest and clarification questions were answered during May. A market open day led by the Chief Executive and Corporate Director for Economic Growth, Environment and Infrastructure was held on the 20th May.
- 4.3 Sixteen Pre-Qualifying Questionnaires were received on 2nd June. These were evaluated by Council officers, and a shortlist of ten bidders across the Lots selected to proceed to the next stage.

- 4.4 The shortlist to the Invitation to Participate in Dialogue/Invitation to Submit Outline Solutions (ITPD/ISOS) was released on 27th June. All unsuccessful bidders were notified on the 27th June with the reason as to why we were not proceeding with their bid through to the next stage.
- 4.5 The competitive dialogue meetings ran from the 3rd July to the 16th July with each bidder being given the opportunity to meet with the Councils on two occasions. One bidder withdrew from the process during the competitive dialogue phase. Outline solutions were submitted on the 28th July and have now been evaluated by Council officers.
- 4.6 The remaining economic operators have submitted Outline Solutions for a range of Lots. The names of the economic operators submitting bids and the basis on which they have bid is commercially sensitive.

5. CURRENT POSITION

- 5.1 All bidders who will be invited to submit detailed solutions have demonstrated their willingness and ability to meet the high level outcomes set out in paragraph 1.6 and to add value to the delivery of Council services. It is therefore considered at this stage that there are sufficient credible bidders to take forward to ensure a robust competitive dialogue process that will lead to final tenders which continue to meet these outcomes. It should be noted that at this point bidders have submitted non-binding outline solutions and therefore these could be subject to change through the next period of dialogue.
- 5.2 The next stage of the process would be for Invitations to Submit Detailed Solutions. This is the stage at which bidders will develop and submit proposals, setting out how they would deliver services in future to meet the desired outcomes, including efficiencies and protection of jobs and service standards. It is intended that more information about the bidder's approaches will be shared after this stage. A further report will be brought to the Executive in December 2014.
- 5.3 It is also proposed that there will be further Member involvement through the Scrutiny Committee in early 2015.
- 5.4 In proceeding to the next stage of the procurement exercise, there are a number of consequential issues which if not managed appropriately could have a potential adverse financial effect. These will need to be addressed and resolved satisfactorily in order to deliver the desired outcomes:

Issue	Mitigation
There are contractual arrangements which may not be transferrable by agreement to the incoming partner(s) e.g. vehicle and plant contract hire arrangements.	Discussions are on-going with the current vehicle provider to vary the current contract to enable transfer to the new service providers. The potential implications of

	transferring the agreement will be considered during the next stage of competitive dialogue.
A balance will need to be drawn between the contract savings and the Council's Waste Disposal Levy obligation. The mechanism for setting the Levy means that disposal costs for Trafford could increase if other Greater Manchester authorities increase their recycling rates and Trafford's remains static. However, there could be additional direct costs associated with increasing recycling rates.	In the next stage of dialogue the service and financial consequences of increasing the current high recycling rates will be fully explored. Evaluation will take account of the net financial effect of proposals, both in terms of direct contract costs and the Waste Disposal Levy.
Ensuring the transfer of the management and financial responsibility for insurance claims to ensure a joined up highways solution and mitigate financial risk to the Council.	All bidders for Lot 2a have been advised that the Council expects the service provider to take on all risk associated with insurance claims.
The partner(s) role in enforcement activities needs to be fully developed to support the in-house service and provide additional resilience and sustainability.	This requirement has been set out in documentation provided to bidders prior to the commencement of the initial stage of dialogue, and will be explored further in the next stage.
There is a requirement for a robust client side contract management function to ensure expected benefits are delivered in full and that the partnering arrangements are sufficiently flexible to deal with changing needs and financial resources.	The senior management structure for the new Economic Growth, Environment and Infrastructure Directorate has been approved and is now being implemented. This structure provides contract management and technical capacity to manage the contract.
Additional opportunities for savings or new income development could be supported through invest to save / invest to grow. This could be delivered with investment funding from prudential borrowings in order to maximise benefits to the Council.	In so far as possible, risk and investment requirement will be transferred to the partners. Prudential borrowings will be considered on a case by case basis and only pursued where there is both a clear additional benefit and security of repayment of principle to the Council in so doing.
The Council will need to ensure that	The contract will include robust

there are appropriate mechanisms in place to monitor performance and flex contractual arrangements in response to changing circumstances.	performance management mechanisms including formal mid-term review(s) to ensure market competitiveness, value for money and demonstrate service delivery quality. It is intended that these formal reviews will include the ability for the Council to terminate the contract in certain circumstances dependent on the outcome.
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5.5 In the next stage, Trafford will further explore ideas and options as well as interrogate bid solutions to confirm the deliverability of the desired outcomes. However, in the event that it becomes apparent that the outcomes cannot be delivered the Council have maintained the right to withdraw from the procurement process, in whole or part, and would not be liable for any costs incurred by bidders should it choose to do so.

6. NEXT STEPS

6.1 Subject to Executive approval, the proposed timetable through to contract commencement is as follows:

Indicative Date	Deliverable
September 2014 - December 2014	Invitation to Submit Detailed Solutions
January – February 2015	Evaluation and decision making
February 2015	Executive report and approval to award the contract
March 2015	Award of contract
April 2015 onwards	Contract mobilisation
July 2015	Contract commencement

7. STAFFING

7.1 It is likely that the majority of staff directly employed by the Council in the services outlined in this report (c 250), plus those employed by Veolia on the current Trafford waste contract (c 100), would transfer to the relevant new partner(s), with their length of service and terms and conditions protected under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations. In relation to pensions, the Council will support an application for admitted body status for the duration of the contract scheme.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The alternative options were set out in detail in the March report. With due consideration of those options and the deliverability of the desired outcomes, the approach recommended is considered to represent the best option.

9. CONSULTATION

- 9.1 Extensive consultation will take place with affected staff and their union representatives throughout the procurement process. This has been incorporated at appropriate stages in a comprehensive communications strategy. There was an initial meeting earlier in the year with the Trade Unions and further meetings are planned for the autumn.
- 9.2 Where appropriate or required to meet Trafford's duties in this regard, there will be consultation with residents, community groups and stakeholders.

10. REASONS FOR RECOMMENDATION

- 10.1 To enable the Reshaping Trafford project for EGEI services to move to the next phase and to issue the Invitation to Submit Detailed Solutions to shortlisted bidders.

Key Decision: Yes

If Key Decision, has 28-day notice been given? Yes

Finance Officer Clearance IK

Legal Officer Clearance JLF

CORPORATE DIRECTOR'S SIGNATURE

To confirm that the Financial and Legal Implications have been considered and the Executive Member has cleared the report.

