

TRAFFORD COUNCIL

Report to: Executive
Date: 1st December 2014
Report for: Information
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 since the Executive in September 2014, to engage private sector partners for the delivery of a range of environmental, highways, professional, technical and infrastructure services.

Recommendation(s)

It is recommended that the report on progress to date is noted.

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: | <p>The Council is facing further austerity budgets with a deficit of approximately £57m for the following three financial years 2015-18. 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. The project management and procurement costs are expected to be £450,000, as reported at the Executive in September 2014. The Executive at its meeting in October 2014 approved draft budget proposals for 2015/16, which included a saving of £2.25m from this procurement exercise.</p> |
| 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 | <p>Equality Impact Assessments have been carried out and have identified no impact. These will be reviewed and updated as the project progresses.</p> |
| Sustainability Implications | <p>None at this stage, though all bidders have been asked to submit bids which provide sustainable solutions.</p> |
| Staffing/E-Government/Asset Management Implications | <p>There could be significant staffing implications associated with this report as set out in section 7.</p> |

| | |
|---------------------------------|--|
| 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. These approaches are currently subject to resident consultation as part of the Council's budget proposals for 2015/16.
- 1.3 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. Contracts will be required to be in place from early 2015/16.
- 1.4 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.
- 1.5 The Executive in September 2014 approved the next stage of the procurement process for the shortlisted bidders, the Invitation to Submit Detailed Solutions. Further, it was agreed that an update report should be brought back to the Executive in December to report on progress so far in

achieving the desired outcomes of the procurement exercise, before the Call for Final Tender is issued. This report sets out the desired outcomes and progress as reported to Executive in September and provides in sections three and four, an update on subsequent activities and the shortlist of bidders invited to participate in further dialogue prior to the call for final tenders.

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) should 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 circa £75m, 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 which has been 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 made, it is now the appropriate time to enter into new working arrangements with external partners to achieve the future savings required and to realise greater efficiencies, investment, innovation and income generation opportunities.

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 and 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 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 and retain responsibility for setting strategy, policy and agreeing service standards, supported by robust contract management throughout the life of the contract.

3. PROGRESS TO DATE

- 3.1 The OJEU notice for Trafford was issued on 10th April (in collaboration with Manchester City Council), followed by the release of the Pre-Qualification Questionnaire (PQQ) on the 1st May to all organisations who had expressed an interest.
- 3.2 Sixteen Pre-Qualifying Questionnaires were received on 2nd June and were evaluated by Council officers and a shortlist of ten bidders across the Lots were selected to proceed to the next stage.
- 3.3 The shortlist to the Invitation to Participate in Dialogue/Invitation to Submit Outline Solutions (ITPD/ISOS) was released on 27th June, followed by competitive dialogue meetings during July. One bidder withdrew from the process during the competitive dialogue phase. Outline solutions were submitted on the 28th July and evaluated by Council officers.
- 3.4 Following approval at Executive on 1st September, the shortlist to the Invitation to Submit Detailed Solutions (ISDS) was released on 9th September. Further competitive dialogue ensued during September and October. Three bidders withdrew from the process during the competitive dialogue phase. The remaining economic operators submitted Detailed Solutions for a range of Lots on 31st October.
- 3.5 The shortlist for Invitation to Pursue Further Competitive Dialogue (IPFCD) was released on 13th November. Further dialogue commenced 24th November and is due to complete 18th December.
- 3.6 The names of the economic operators invited to pursue further competitive dialogue are below:

Lot 1a:

- Amey LG
- Veolia ES (UK) Ltd

Lot 2a:

- Amey LG
- Balfour Beatty Living Places
- Kier MG Ltd

Lot 2b (incl. potential LED project):

- Amey LG
- Balfour Beatty Living Places
- Kier MG Ltd

Lot 3:

- Amey LG
- Kier MG Ltd

- 3.7 A briefing was delivered to Scrutiny Committee on 29th October, explaining the desired outcomes, procurement process to date, next steps and key issues, followed by an explanation of the detailed solutions evaluation criteria. Officers answered questions raised by the Committee during the briefing. It has also been agreed that a further briefing be scheduled for late January/early February 2015 to provide a further update on whether the desired outcomes have been achieved prior to the report being issued to the Executive.

4. CURRENT POSITION

- 4.1 Bidders shortlisted to proceed to the next stage of competitive dialogue have demonstrated their willingness and ability to meet the challenge set by the high level outcomes across the contract as a whole. It is therefore considered at this stage that there are sufficient credible bidders to continue with the competitive dialogue process and that it is likely that this will lead to final tenders which continue to meet these outcomes. It should be noted that at this point bidders have submitted non-binding detailed solutions and therefore solutions and prices could be subject to change through the next period of dialogue.
- 4.2 The Invitation to Pursue Further Competitive Dialogue has been issued during November and will close late December. During this stage the bidders will develop and refine their proposals providing more information about the bidder's approaches prior to the Call for Final Tender.
- 4.3 The "Investment in Street Lighting Report" was considered by the Executive on the 18th November 2013 where it was agreed that the Council should progress the necessary activities to support tender preparations for the delivery and maintenance of LED street lighting. This now forms part of Lot 2b in this procurement process. As part of their final tender, bidders will be asked to submit proposals for both the delivery of a current routine maintenance and replacement service (Lot 2b option 1) and for the roll out of a LED replacement programme (Lot 2b option 2). In relation to a LED roll out bidders will be required to provide prices for a range of different lighting regimes and separately for the use of a central management system. Final tenders will be assessed against both routine maintenance and replacement programme options and approval for a preferred option will be sought from Executive in February 2015. Consideration will also be given to any potential health and environmental impacts and an updated Health Impact Assessment will be available to inform the Executives' decision.
- 4.4 During this current stage of the procurement exercise, there continues to be a number of consequential issues which if not managed appropriately could have a potential adverse financial effect. These issues have been subject to dialogue will need to be addressed and resolved satisfactorily in the final stages 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. Further details are being shared with bidders prior to the Call for Final Tender. |
| 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. | During dialogue the service and financial consequences of increasing the current high recycling rates has been and will continue to be 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 risk associated with insurance claims, with the apportionment of work to be determined through dialogue. Various options have been considered during the detailed stage with the bidders indicating their preference. The Council position will be agreed in preparation for the Call for Final Tender. |
| 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. The bidders approach to enforcement is included in the detailed submission and will continue to form part of the on-going dialogue. |
| 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 | 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 |

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| <p>from prudential borrowings in order to maximise benefits to the Council.</p> | <p>where there is both a clear additional benefit and security of repayment of principal to the Council in so doing. This has been included during the detailed stage and will be discussed during the financial dialogue meetings.</p> |
| <p>The Council will need to ensure that there are appropriate mechanisms in place to monitor performance and flex contractual arrangements in response to changing circumstances.</p> | <p>The contract is progressing with external support and will continue to be developed during the next phase of dialogue. The contract includes robust performance management mechanisms including formal mid-term review(s) to ensure market competitiveness, value for money and demonstrate service delivery quality. It is the intention that these formal reviews will include the ability for the Council to terminate the contract in certain circumstances dependent on the outcome. A specific legal session is arranged during the next phase of dialogue.</p> |

4.5 In the next phase of dialogue, Trafford will further explore ideas and options as well as interrogate bid solutions to confirm the deliverability of the desired outcomes. Four dialogue sessions are planned, with three of these themed to cover operation, financial and legal issues and a fourth open session to address any outstanding issues prior to issuing the call for final tender. 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.

5. NEXT STEPS

- 5.1 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 leading to Call for Final Tender |
| January – February 2015 | Evaluation and decision making |
| January – February 2015 | Scrutiny Committee |
| February 2015 | Executive report and approval to award the contract |
| March 2015 | Award of contract |
| April 2015 onwards | Contract mobilisation |
| July 2015 | Contract commencement |

6. STAFFING

- 6.1 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 to the Greater Manchester Pension Scheme for the duration of the contract scheme.

7. ALTERNATIVE OPTIONS CONSIDERED

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

8. CONSULTATION

- 8.1 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 were meetings earlier in the year with the Trade Unions and further meetings are taking place as part of the staff budget consultation. It is planned that the bidders will meet with Staff and Trade Unions during 2015 prior to contract award.

8.2 Where appropriate or required to meet Trafford's duties in this regard, there will be consultation with residents, community groups and stakeholders.

9. REASONS FOR RECOMMENDATION

9.1 To keep the Executive up to date with progress on the procurement exercise following the evaluation of the Invitation to Submit Detailed Solutions.

Key Decision: No

If Key Decision, has 28-day notice been given? N/A

Finance Officer Clearance ID

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.

