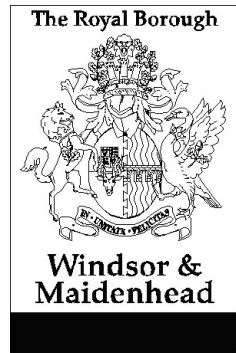


Report for: ACTION



Contains Confidential or Exempt Information	YES – Appendix D (Part II - Not for publication by virtue of Paragraphs 3 and 4 of Part 1 of Schedule 12A of the Local Government Act 1972)
Title	Delivering Differently In Operations & Customer Services - Highways & Transport Services
Responsible Officer(s)	Simon Fletcher, Strategic Director of Operations and Customer Services
Contact officer, job title and phone number	Simon Fletcher, Strategic Director of Operations and Customer Services
Member reporting	Cllr Phill Bicknell, Lead Member for Highways & Transport
For Consideration By	Cabinet
Date to be Considered	15 December 2016
Implementation Date if Not Called In	10 January 2017 - including procurement call in (Alcatel)
Affected Wards	All

Report Summary

This report proposes a new operating model for Highways and Transport and the award of two new contracts for highway & transport services and works.

The recommendation to award contracts to Volker Highways Ltd. and Project Centre Ltd. and reshape the internal service are being made to deliver improved, more resilient and cost effective services to residents.

If recommendations are adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
The new operating model including the new contractual arrangements will deliver improved quality, resilient, better value for money services for residents with the opportunity for greater local involvement	1 May 2017

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That:

- i. Volker Highways Ltd is awarded the contract to provide Lot 1: Highways Management & Maintenance for a period of five years with the option of an extension for two further years subject to satisfactory performance each year.**
- ii. The Traffic Management and ancillary services contract, Lot 2, is deferred, until January 2017 pending further review of required services and costs.**
- iii. Project Centre Ltd is awarded the contract to provide Lot 3: Highway & Transport Professional Services for a period of five years with the option of an extension for two further years subject to satisfactory performance each year.**
- iv. The Strategic Director of Operations and Customer Services and Head of Legal Services in consultation with the Lead Member for Highways and Transport is authorised to complete the appointment process in accordance with Council Contract Rules.**
- v. The Strategic Director of Operations and Customer Services in consultation with the Lead Member for Highways and Transport is authorised to restructure the Highways & Transport service to support the new operating model, subject to approval from Employment Panel in January 2017.**
- vi. Cabinet awards the tree inspection work, to Volker Highways Ltd. to the value of £100,000 per year.**

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1. This report sets out the recommended operating model for Highways & Transport Services. The proposed operating model and the scope of these contracts are designed to meet the current and future needs of residents and deliver commitments embedded in the manifesto.**
- 2.2. Three contract lots were put to the market in combinations of works and services currently provided by Council officers and external providers. The detail specification for each Lot is available, in summary the Lots cover areas set out in points 2.3 – 2.5**
- 2.3. Lot 1 - Highways Management & Maintenance – including:**
 - Highway and Bridge Inspections**
 - Highway and Bridge Repairs**
 - Drainage and gully clearance**
 - Winter Service**
 - Street Cleansing**
 - Project Delivery**
 - Tree Inspections (optional)**

- 2.4. Lot 2 - Traffic Management and ancillary services – including:
- Traffic Signal Maintenance
 - Rising Bollard Maintenance
 - Variable Message Sign Maintenance
 - Car Park Sign Maintenance
 - Urban traffic control and remote monitoring systems
 - Traffic Camera CCTV
 - Traffic Signal Projects
 - Traffic Counters
- 2.5. Lot 3 – Highway & Transport Professional Services – including:
- Highway & Transport Policy support
 - Traffic Management & Road Safety Investigation
 - Road Safety Education & Publicity
 - Highways Development Control
 - Flood Risk Management
 - Public Transport Advice/ support
- 2.6. One bid was received per lot, each with nominated subcontractors as follows:
- 2.7. Lot 1
- Main Contractor – Volker Highways Ltd
 - Sub-contractor – Design & Consultation – Project Centre Ltd
 - Sub-contractor – Street Cleansing – Urbaser Ltd
- 2.8. Lot 2
- Main Contractor – Siemens PLC
 - Sub-contractor - RTEM (Traffic Counters)
 - SWARCO (Variable Message Signs)
 - CDS (CCTV)
 - ATG (Bollards)
- 2.9. Lot 3
- Main Contractor - Project Centre Ltd
- 2.10. The bids were assessed and all three bidders passed the pre-qualification review and were scored above the required pass mark for their quality submissions. In addition the Council tender evaluation team and the Head of Highways and Transport met with each bidder to clarify specific points.
- 2.11. In the case of the bid from Siemens PLC for lot 2 there are a number of detailed clarifications relating to the level of service, budget implications and price still outstanding. It is on this basis that the recommendation is to defer award at present. Officers will undertake further work in this area which will be brought to the Lead Member for consideration in January 2017. In the interim, current arrangements will be retained.
- 2.12. Subject to approval, the new contracts will be fully implemented by 1 May 2017 with some elements starting from 1 April 2017, see section 15.
- 2.13. Alongside the new contracts, a piece of work has taken place to review and restructure the retained Highways & Transport team, see appendix B. The reshaped retained team model will ensure that contractual arrangements are

managed and provide a direct interface between Members and the contractor. The new team will no longer hold responsibilities for the functions that will transfer to Achieving for Children and Optalis. In addition to delivering improved resilient services for residents, the new operating model overall will result in a £300,000 reduction in staffing costs, generated through a combination of reduced contracted costs and optimisation of the remaining service.

- 2.14. The new operating model represents a change from the current operational model, with a smaller in house team and a larger number of services provides by third parties. Fuller details are available in section 17.

Option	Comments
<p>Retain the existing service configuration and do not let any of the three contract lots and extend existing arrangements.</p> <p>This is not a recommended option</p>	<p>The no change option would not realise the benefits for residents and other improvements identified.</p>
<p>Let contracts:</p> <ul style="list-style-type: none"> • Lots 1 (including tree inspections) • Lots 3 • Review and restructure the remaining unit to form a client & commissioning function. <p>Lot 2 not awarded at this time.</p> <p>Recommended option</p>	<p>Based on the qualitative assessment of the tenders together with the prices this option delivers a more robust and efficient service for residents and meets the target in the medium term financial plan. This model of service delivery protects and enhances resident services meeting customer need while delivering financial efficiencies.</p>
<p>Let lot 1 only</p> <p>This is not a recommended option</p>	<p>Whilst lot 1 independently provides a saving but by letting only lot 1 a number of staff remain employed by the Council. This would reduce the proposal to form a Client & Commissioning Team and reduce the overall saving opportunity and service improvements for residents.</p>
<p>Let lot 3 only</p> <p>This is not a recommended option</p>	<p>Lot 3 does not independently make a significant saving but by letting only lot 3 not only is the saving not made but a number of staff remain employed by RBWM. This would reduce the proposal to form a Client & Commissioning Team and reduce the overall saving opportunity and service improvements for residents.</p>
<p>Retain professional staff and retender works and operations elements of the contracts</p> <p>This is not a recommended option</p>	<p>This may deliver contract savings but a number of staff remain employed by the Council. This would reduce the proposal to form a Client & Commissioning Team and reduce the overall saving opportunity and service improvements for residents.</p>

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be deliver by
New Contracts in Place	Beyond 02/05/17	By 01/05/17	By 01/04/17	N/A	01/05/17
Financial savings (2017/18)	<£290,000	£290,000 to £300,000k	£300,000 – £350,000	>£350,000	31/03/18
Resident satisfaction improves (RBWM ranking as measured through the National Highways & Transport Benchmarking Survey*)	Below 38%	35% – 38%	30% – 34%	>30%	30/11/17 (*Survey results published in November 2017)

4. FINANCIAL DETAILS

Financial impact on the budget

- 4.1 The prices submitted have been closely analysed and compared to existing service costs and provide the opportunity to reduce costs.

Revenue

- 4.2 These contract awards will reduce council spend on highways by £90,000 with a further £210,000 being achieved by reshaping the retain team. The rates in lot 1 are fixed for the first two years and subject to RPI from year three onward. The rates in lot 3 are fixed for the term.
- 4.3 In addition, contract Lot 1 includes an option to undertake highway tree inspections to assist in dealing with the backlog of inspections on the 80,000 highway trees it is recommended that the tree inspection work be awarded to Volker Highways Ltd. to the value of £100,000 per year to enable a tree inspection programme to commence.

	2016/17	2017/18	2018/19
	Revenue	Revenue	Revenue
Addition	£0	£0	£0
Reduction	£0	£300,000	£0

Capital

- 4.4 The existing rates for engineering works have been in place since 2012 and would no longer apply as the term contract has expired. Although the rates in lot 1 generally provide good value compared to current market rates they do represent an increase on a number of rates the Royal Borough currently pays. This could have an impact on individual capital schemes where the estimate and budget were based on existing rates.

	2016/17	2017/18	2018/19
	Capital	Capital	Capital
Addition	£0	£0	£0
Reduction	£0	£0	£0

5. LEGAL

- 5.1 The Council is open to challenge should it not follow re-procurement in line with EU Directives, the Public Contracts Regulations 2015 and the Council's Contract Rules. The recommended option removes the risk and offers additional opportunities to the Council and residents.
- 5.2 The Council is enabled, by section 111 of the Local Government Act 1972, to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The Council therefore has a general power to enter into contracts for the discharge of any of its functions; including the proposed contracts set out in this report.
- 5.3 Some of the services provided by the directorate are statutory and as such there is a need to consider the implication of Delivering Differently models on our statutory obligations. To assist this, a 'vires audit' has been commissioned so that all statutory obligations, functions and requirements are fully understood. This audit has identified no specific implications for this proposal.

6. VALUE FOR MONEY

Set out in the body of the report.

7. SUSTAINABILITY IMPACT APPRAISAL

- 7.1 All sustainability requirements currently in place will continue with the new suppliers under the new operating model.

8. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
The proposals contained in this report do not deliver expected improvements in service delivery	No improvement in service levels or customer satisfaction	A robust business case has been developed based on extensive research and scenario testing. Each stage of the process has been scrutinised fully	Medium

Risks	Uncontrolled Risk	Controls	Controlled Risk
The proposals contained in this report do not deliver expected financial efficiencies.	Savings targets linked to delivery of the Medium Term Financial Plan not achieved	A robust business case has been developed based on extensive research and scenario testing. Each stage of the process has been scrutinised fully. Alternative savings will be identified within the Directorate to achieve the overall level of savings	Medium
Negative impact on staff morale during the transition to the new operating model	Adverse affect on delivering of services short term	Open and regular communication in place through a variety of channels	Medium
Lack of resource capacity to deliver the new operating model to mobilise the new contracts and develop the Client & Commissioning function	Delay in achieving customer improvements and achievement of financial efficiencies Potential impact of other Transformation workstreams across the authority	Resource capacity and capability closely monitored Short-term, task specific secondments in place Specialist support commissioned as required	Medium
The new contracts are not in place for April 2017	Ad-hoc arrangements would have to be used giving less control over cost and quality	This is mitigated by the endorsement of this report and the award of replacement contracts	Medium

9. LINKS TO STRATEGIC OBJECTIVES

- 9.1 The Council's corporate strategy seeks to improve customer satisfaction and deliver lower cost services.
- 9.2 Successfully delivering the outcomes of the new operating model will directly support the Council to deliver against these ambitions for residents.

- 9.3 In addition, a range of commitments within the manifesto are supported or delivered through the delivery of the new operating model which are set out in Appendix B.

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

N/A

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

- 11.1 A list of staff eligible for TUPE was provided by the Council and our incumbent contractors Amey LG Ltd, Veolia ES (UK) Ltd and Jacobs U.K and was included in the tender documents for the relevant contract lot. 31 Council employees are identified in lots 1 and 3 and final details of staff to be transferred under TUPE will be subject to further discussion between the Council, the incumbent and new contractors.
- 11.2 31 Royal Borough staff would TUPE transfer to external providers. 23 employees are identified to transfer to the Highways Management & Maintenance contract (Volkers). 8 employees are identified to transfer to the Highway & Transport Professional Services (Project Centre). 1 RBWM employee was identified to transfer to the Traffic Management and ancillary services (Lot 2 but will be retained by the Council at this point).
- 11.3 Council and existing contractor staff will transfer to nominated sub-contractors. For example Council design staff identified to transfer into lot 1 would not transfer Volker but to Project Centre who also would have staff transferred for lot 3. Veolia staff working on street cleansing would transfer directly to Urbaser. Jacobs staff delivering bridge services would transfer directly to Project Centre also.

12. PROPERTY AND ASSETS

- 12.1 The tender for lot 1 allowed for bidders to provide a price for providing their own depot facility. The cost in the tender return from Volker Highways Ltd of c£300,000 for this provision is an avoidable overhead as the Royal Borough has a depot facility in Stafferton Way, Maidenhead and a smaller facility at Priors Way, Maidenhead along with the depot at Tinkers Lane, Windsor. These are used by our existing term contractors and could be used to run the new Highways Management & Maintenance contract (lot 1) including for street cleansing (as existing) and winter service (as existing). This is our recommended approach and is reflected in the overall savings figure.

13. ANY OTHER IMPLICATIONS

- 13.1 Parish Councils and other stakeholders are already fully engaged in promoting local schemes throughout the consultation and development of the capital programme. These schemes represent the majority of work put through the current contract.
- 13.2 In order to develop this further, Parish Councils have been engaged through this tender process including input into the specification and the new contracts include provision for Parish Councils and other stakeholders to either utilise them for their own schemes or influence the way Council works are undertaken in their areas thus supporting the localism agenda. In addition Parish Councils will be involved in

ongoing high level management of the contracts. This would enable them to be better informed and to take a bigger role in future decision making.

- 13.3 More specifically, they could commission us to have work undertaken on their behalf or use the Participatory Budget process to seek additional funding for highway and footway work to be carried out through the contract.
- 13.4 Winter Service provision in the new contract will continue to build on links with Parish Councils, schools and other local stakeholders to support community involvement (e.g. local grit bins).
- 13.5 Members previously considered a paper with respect to inspecting the 80,000 highway trees and agreed to undertake a competitive tender exercise as part of the broader bundle of services being procured for highway services.
- 13.6 The inspection of the 80,000 highway trees was included as an optional item in Lot 1 phased over 2-years. Volker Highways Ltd. submitted a price of £198,000 per year to complete this activity.
- 13.7 The programme of tree inspections is scalable and can be phased over a number of years, prioritised on levels of risk.
- 13.8 Additionally, the inspection of trees is included as a Management Action in the internal audit of 'Tree Management' undertaken in summer 2016.
- 13.9 Therefore, it is recommended that the tree inspections be phased over a 4-year period with an initial investment of £100,000 in 2017/18. This offers a balanced response to risk and responds positively to the internal audit.

14. CONSULTATION

- 14.1 Staff impacted by this proposal will be formally consulted in line with HR policy and procedures.
- 14.2 The timing of the TUPE process will be crucial. This needs to commence straight after the call in period in the New Year. This is essential if the 1 May deadline is to be achieved. If any part of the TUPE process is delayed the Council staff will not be able to transfer until a later date.
- 14.3 In parallel to the mobilisation of the contracts, the remaining unit structure will be reviewed. Any implications will be presented to Employment Panel at a later date.
- 14.4 This report has been considered by the Highways, Transport & Environment Overview & Scrutiny Panel, and Corporate Services Overview & Scrutiny Panel with comments reported to Cabinet for consideration.
- 14.5 Parish Council representatives have been consulted as part of the proposals.

15. TIMETABLE FOR IMPLEMENTATION

Date	Details
March 2016	Delivering Differently discussion paper
June 2016	Service specific proposals approval in principle by Cabinet to develop detailed operating model.

Date	Details
August to October 2016	Contracts out to market place
November/ December 2016	Tenders evaluated / recommendation prepared
December 2016	Report to Cabinet seeking approval to award contracts, commence review of the remaining service and move to implementation phase
January to April 2017	Mobilise contracts
January to May 2017	Employment Panel, staff consultation/ TUPE lead in
1 April 2017	New contracts commence. Contractor staff TUPE transfer
1 May 2017	RBWM staff TUPE transfer and new operating model commences in full

16. APPENDICES

Appendix A: Cost Analysis and Comparison.

Appendix B: (Part II) New operating model for Highways & Transport.

17. BACKGROUND INFORMATION

17.1 New Provider Proposed Service Provision:

17.2 Volker Highways Ltd

Volker are a well known large engineering contractor with a head office in Hoddesdon, Hertfordshire. They have experience of local authority term maintenance contracts including the Central London CVU partnership, West Berkshire and Medway. They would operate out of the Council's existing depot facilities in Tinkers Lane and Stafferton Way and would hot desk with the Council client and other contractors to deliver the service with a focus on residents.

Their design partner Project Centre, will provide design services and Council design staff in lot 1 would TUPE transfer to them directly and work from a combination of their office in Slough (alongside lot 3 staff) at the depot with Volker and hot desk with the Council client. They will be working nearby and available to work collaboratively on this contract.

Their street cleansing partner, Urbaser will also collocate at our depot to facilitate a fully integrated service.

17.3 Project Centre

Project Centre is an experienced transport consultancy, with around 95% of their client work focused on Local Authorities. At the Royal Borough of Kensington & Chelsea, Project Centre has been delivering Highways and Transportation services with a fully embedded seconded team since 1992.

Project Centre has knowledge of the local area – including a number of team members living in the Borough itself or neighbouring areas.

As of December 2016, their parent company (NSL Services) head office will be based in Slough and Project Centre will have a highways and transport team based at this office. This would be the main base for Council staff that TUPE transfer to Project Centre. That said, the intention is clearly that staff regularly collocate and hot desk with the Council client and other contractors to deliver the service with a focus on residents.

17.4 Example scenarios for stakeholder communications

- a. The Lead Member liaises with the Head of Service or senior officers regarding key matters for service delivery such as budgets, meeting targets and delivering the manifesto. In the new operating model this would still be via the Head of Service and now the Client Commissioning team.
- b. A Member liaises with Council engineers regarding the design or progress of a scheme normally via the Head of Service or team leaders. In the new operating model this would be via the Head of Service or Client Commissioning team who can arrange for engineers from the provider to liaise directly with Members.
- c. A resident contacts the CSC who obtains a response from officers to relay to the resident. In the new operating model the CSC would go straight to the providers staff for a response in exactly the same way.

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
Internal				
Cllr Phillip Bicknell	Lead Member for Highways and Transport	16/11/16	17/11/16	No further comments
		29/11/16 (Revised draft)	01/12/16	Approved
Alison Alexander	Managing Director/ Strategic Director Adults, Children and Health	16/11/16	17/11/16	Throughout the report (finance; trees and new structure)
		29/11/16 (Revised draft)		
Russell O'Keefe	Strategic Director of Corporate & Community Services	16/11/16		
		29/11/16 (Revised draft)		
Rob Stubbs	Head of Finance & Dep Director of Corporate & Community Service	16/11/16	17/11/16	2.21
		29/11/16 (Revised draft)	01/12/16	Finance clarifications
Simon Fletcher	Strategic Director Operations & Customer Services	16/11/16	16/11/16	Throughout the report Report approved
		29/11/16 (Revised draft)		
Anna Trott	Strategy & Performance Manager	16/11/16	17/11/16	No comments
Ben Smith	Head of Highways & Transport Services	15/11/16	16/11/16	Throughout the report
Lyn Hitchinson	Procurement Manager	16/11/16	17/11/16	Report Summary
Mark Lampard	Finance Partner (Operations)	16/11/16	17/11/16	2.21
Michelle Dear	HR Partner (Operations)	16/11/16	17/11/16	Report Summary and

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
				Section 11
Terry Baldwin	Head of HR	16/11/16 29/11/16 (Revised draft)		
Shared Legal Solutions	Legal Partner	16/11/16 29/11/16 (Revised draft)	17/11/16 30/11/16	Section 1 (iv) and Section 5 Part I / Part II elements reviewed - agreed

REPORT HISTORY

Decision type:	Urgency item?
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Full name of report author	Job title	Full contact no:
Simon Fletcher	Strategic Director	01628 796484

Appendix A - Cost Analysis and Comparison

	Current budget		Tender cost (adjusted)	Difference	
	£	Note	£	£	Note
LOT1	4,015,000		3,925,000	- 90,000	SMALL MARGIN - ACCEPT
LOT2	250,000	to be finalised	790,968	540,968	TOO EXPENSIVE = HOLD
LOT3	520,000	to be finalised	518,664	- 1,336	BROADLY SIMILAR - ACCEPT