

Meeting COUNTY COUNCIL

date 30th June 2011

agenda item number **17**

JOINT REPORT OF THE DEPUTY LEADER OF THE COUNTY COUNCIL AND THE PORTFOLIO HOLDER FOR FINANCE AND PROPERTY

TRADING SERVICES REVIEW - SERVICE DELIVERY OPTIONS FOR HIGHWAYS, FACILITIES MANAGEMENT AND PROPERTY DESIGN & MAINTENANCE SERVICES

1 Purpose of the Report

- 1.1 The purpose of the report is to seek approval to;
- 1.2 Retain the provision of non-schools facilities management and property design & maintenance services in-house.
- 1.3 Retain the existing provision of catering, cleaning and landscape services to schools.
- 1.4 Evaluate a number of selected Highway Services activities with a view to possible competitive tendering if appropriate.

2 Background

- 2.1 The review of trading services forms part of the Service Review and Redesign Programme which was approved by the County Council on 25 February 2010. The purpose of the review is to identify whether services can be better delivered externally rather than in-house.
- 2.2 Following a number of reports, at its meeting of 19th January 2011, Cabinet gave approval for the market testing of;
 - non-schools catering, cleaning and landscape services
 - sold services to schools
 - trading activities within Highways Services.

2.3 Market testing has subsequently taken place and involved a number of assessments;

- The collection of detailed key financial, quality and performance data
- The benchmarking of the key data against other comparable organisations
- Informal engagement with the commercial market to assess their appetite and preferences for providing services to the Council
- The analysis of a range of operating models to determine those which may be suitable for the council.

3 Findings

3.1 The assessment undertaken has shown there is currently limited scope for outsourcing non-schools facilities management services. Due to the changes arising from the rationalisation of office accommodation over the next 2-3 years, it is not currently possible to accurately specify future requirements, a pre-requisite for any competitive tendering process. Given the significant costs associated with this form of procurement exercise it is not considered prudent to go to the market at this juncture.

3.2 Sold services to schools (catering, cleaning and landscape services) are financially viable, make a contributory rate of return and are no longer dependent upon any form of County Council subsidy. The services are currently operating in a commercially competitive market, and the increasing number of academies and the autonomous nature of LMS schools gives the schools choice as to their provider and this makes it difficult for the County Council to predict the demand for services in the future. These services will continue to be subjected to ongoing benchmarking activities to ensure that the Council continues to offer value for money, especially if the level of demand changes, and it is considered appropriate to maintain the current service provision offer.

3.3 The assessment of Highway Services has revealed a slightly different picture. Whilst there have been significant on-going service improvements and efficiencies, there is requirement to generate significant budgetary savings over the coming years. This, together with the integration of the MOP's (Manage and Operate Partnerships) that will come back under the direct control of the County Council from April 2012, means the status quo is no longer an option. To competitively tender the whole of Highways Operations would incur significant procurement costs, in excess of £1m, with any potential savings being at least 2 years down the line. Given the above and the need to retain an appropriate balance of internally and externally delivered services, it is considered appropriate to evaluate specific activities within the service, with regard to value for money, to establish where further competitive tendering would be beneficial.

3.4 The following activities within the highways operations revenue budget, together with capital works, will be evaluated to determine those services that may be offered to the market. Some of these activities are already delivered by a mix of in-house and external provision and the option will be to expand the level of external

provision. This will give the authority the opportunity to test the market, benchmark costs of current suppliers, identify new providers and provide some healthy competition between suppliers. The goal will be to retain a strong local supplier base.

EARTHWORKS, FENCING & BARRIERS
CARRIAGEWAY PATCHING
FOOTWAY PATCHING
ROAD STUDS AND MARKINGS
SIGNS – WORKS
SIGNALS – WORKS
ROAD LIGHTING – WORKS
VERGE MAINTENANCE
ENVIRONMENTAL MAINTENANCE
TREES & HEDGE MAINTENANCE
SPECIAL DRAINAGE WORKS
DRAIN CLEANING
WINTER MAINTENANCE
REPAIRS FOLLOWING ACCIDENTS & VANDALISM

- 3.5 In 2010/11 the above operational activities cost £17 million with 29% of the work being provided by the MOPs, 23% by external suppliers and 48% provided in-house.
- 3.6 The evaluation of the above activities will take into consideration the need to retain service flexibility, in order to respond quickly to incidents and quickly arising situations such as winter maintenance and floods. The impact that externalising some activities may have on maintaining the necessary critical mass of in-house provision will be a major factor.
- 3.7 In-house highway design capacity has been reduced significantly over the last twelve months. Current arrangements entail the use of the Midland Highways Alliance Professional Services Partnership framework to source work for which there is no in-house resource. The effectiveness of this arrangement will be reviewed to establish the most appropriate market mix to ensure responsiveness and value for money.
- 3.8 Services provided by fleet maintenance will also be evaluated. However, the future volume of highways fleet maintenance will be affected by the above, and as such, the review of fleet maintenance will be sequenced to follow the completion of the review of highways activities.

4 Property Design and Maintenance Services

- 4.1 Property Design and Maintenance Services have gone through a radical restructure since the start of the trading services review resulting in a 50% reduction of the in-house team. With the changes already implemented, over 70% of design and maintenance services are commissioned from the private sector via framework contracts. The size of the in-house team is now that of a strategic core and is

considered to offer value for money and the optimum capacity to best meet the needs of the authority.

- 4.2 Accordingly, it is proposed that no further value for money assessment is required in respect of these services.

5 Recommendations

- 5.1 It is recommended that Council:
- 5.2 Approves the retention of non-schools facilities management and property design & maintenance services in house.
- 5.3 Approves the retention of the existing provision of catering, cleaning and landscape services to schools, and to authorise the Corporate Director of Environment & Resources to notify schools accordingly.
- 5.4 Approves the evaluation of a number of Highway activities as detailed in the report for potential competitive tendering.
- 5.5 Give delegated authority to the Portfolio Holder for Transport and Highways and the Portfolio Holder for Finance and Property to jointly approve (subject to the County Council's Financial Regulations and the demonstration of value for money) the procurement and agreement of contracts for the provision of any highway activities from the market.

6 Statutory and Policy Implications

- 6.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder, human rights and those using relevant service. Where such implications are material, they have been described in the text of the report.

7 Comments of the Service Director - Finance

- 7.1 The total revenue work areas detailed in paragraph 3.4 above comprise a net revenue budget of £13.1m for 2011/12. In addition, circa £24m of capital expenditure will be subject to evaluation. The extent of any savings can only be quantified following the market exercise, and at this stage no assumptions in this regard have been made in the Medium Term Financial Strategy. It should also be noted that the report to Cabinet In January 2011 indicated a potential cost of up to £800k for the market exercise. The estimated costs are now circa £250k. (MA 09.06.11)

8 Legal Comments

- 8.1 The County Council has the authority to approve the recommendations in the report. Any engagement with the market for the delivery of highway services will need to be in accordance with the Council's Financial Regulations and the procurement rules, which includes that any contract for services needs to be in a

form approved by Legal Services. Any outsourcing of a service will also have TUPE and pension implications and therefore advice and assistance should be sought from Legal Services at the earliest opportunity where this is considered. [CEH 03.06.11]

9 Personnel comments

- 9.1 Subject to the decisions on Non Schools Facilities Management, Catering Cleaning and Landscape and Highways functions, any subsequent outsourcing to an external provider impacting on staff will be enacted in compliance with TUPE Regulations, and normal consultation processes will be undertaken with staff and the recognised Trade Unions in line with corporate procedures and protocols.

10 Electoral division(s) affected

- 10.1 All Electoral divisions and members affected

11 Background Papers Available for Inspection

The following two documents are available

- 11.1 Highways Trading Services – Options Analysis Supporting Information
11.2 Facilities Management – Service Provider Comparison

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