

Report to Cabinet
12 September 2012
Report of Head of city development services
Subject Norfolk county council highways re-procurement

Item

10

Purpose

To agree opportunities arising from the county council's highways re-procurement process to take forward.

Recommendation

Cabinet is recommended to:

- a) Agree to continue to use Norfolk County Council's contracts to deliver highways agency agreement services, excluding tree and verge maintenance, following the County Council's re-procurement of such services in April 2014;
- b) Ask officers to bring forward the review of the present highways agency agreement with a view to renewing in April 2014 to align and coincide with the County Council's proposed re-procurement of highways services;
- c) Ask officers to develop proposals for a highway's ranger type service for the city as part of any highways agency agreement review and re-procurement of highway services; and
- d) Agree to the option of using Norfolk County Council's contracts to deliver highways type works including winter maintenance on council owned land which is not adopted following the County Council's re-procurement of such services in April 2014.

Corporate and service priorities

The report helps to meet all corporate priorities and the service plan priority to deliver the highway maintenance and improvement programme.

Financial implications

The costs associated with taking forward the approach recommended in this report are estimated to be in the region of £7,000 in staff time. In contrast were the council to undertake its own re-procurement the estimated cost in staff time would be very considerable; the county council estimate their costs could be as high as £500,000.

Ward/s: All wards

Cabinet member: Councillor Bremner – Environment and development

Contact officers

Andy Watt

01603 212691

Background documents

None

Report

Background

1. Norfolk County Council has had contract arrangements with private sector companies since April 2004 to assist with delivery of “Environmental Services”, which in practice has focussed on the delivery of highway related activities. These contracts end in 2014, having already been extended to the maximum legally allowable term. Those highway activities not undertaken via these contracts (e.g. winter maintenance) are carried out by in-house teams.
2. The city council has responsibility to deliver a variety of highway related activities through the highways agency agreement with the county council. Until April 2010 these were delivered by CityCare. With the exception of highway tree and verge maintenance (which are separately contracted as part of the grounds and trees contracts), as part of the ‘CityCare re-procurement’ the council agreed that such activities should be delivered via the county council’s “Environmental Services” contract arrangements. In addition it was agreed that certain highway type activities not on adopted highway (e.g. pavement repairs on housing land and winter gritting of car parks and sheltered housing paths) could also be delivered via the county council’s contracts. This has been achieved through an agency agreement.
3. With these contracts now drawing to a close the council needs to decide how to deliver these services beyond 2014.

County Council re-procurement approach

4. A cross-party member board was set up by the county council to oversee the development of the delivery arrangements from 2014. It has considered a number of options and concluded that a re-procurement along existing lines but with enhanced performance management should be the preferred way forward.
5. In coming to this conclusion the board noted that:
 - a) A strategic review has already generated annual savings of £1.5m from renegotiation of the current contracts and that achieving year on year efficiency improvements and financial savings will be a key opportunity and feature of the new contract.
 - b) Benchmarking and cost comparisons indicate that the cost is unlikely to vary significantly between in-house and contracted out delivery; that decision is more about the style of authority members are seeking, the degree of control and flexibility members wish for and the appropriate balance between public and private sector provision.
 - c) Benchmarking and performance data suggest that the current contract arrangements have served the council well and would be an appropriate foundation for developing new arrangements from 2014.
 - d) There is no one optimum model of service delivery in other authorities. Each council appears to select a model based on past experience, members’ preferences and local needs.

- e) A key feature of the choice will be the size of the client function the county council wishes to retain for contract management, budget control and other functions close to the democratic process and elected members.
 - f) It would be desirable to adopt a model which encourages employment of local people through the appropriate mix of in-house employed staff, appropriate contract requirements and carefully chosen evaluation criteria.
6. The conclusion reached by the member board was considered by the Environment, Transport and Development Overview and Scrutiny Panel on 11 January and Norwich Highways Agency Committee on 26 January. Both groups supported the board's recommendation. The approach was endorsed by the county cabinet at their meeting on 5 March.

City Council involvement

7. With the end of the county contracts in 2014 the council is not under an obligation to continue to deliver services in this way; it could for example develop and implement its own re-procurement separate from anything the county council does.
8. This is not suggested, however and it is recommended that the council continues to deliver its highway responsibilities arising from the agency agreement through the county council. This is for the following reasons:
- a) **Experience to date.** The county contracts have served the city well with continuing good delivery of surfacing and improvement schemes and improvements in some areas such gully cleaning. Where issues have arisen, both the city and county councils can bring pressure to bear to ensure resolution.
 - b) **Economies of scale.** The value of works undertaken as part of the agency agreement is much less than the value of works across the county as a whole. A county wide approach enables economies of scale such as in depots, utilisation of plant etc. compared to a city only approach. There would be a lower proportion of fixed costs associated with the county wide approach compared to the latter.
 - c) **Procurement costs.** A county wide procurement is much cheaper than two separate procurements. Incorporating the city into the county wide procurement can be achieved at very low marginal cost. The cost of a city only procurement would not be affordable from present highway agency funding.
 - d) **Duration of agency agreement.** The present agency agreements last four years which is a short period for any contract and therefore a city only approach is likely to unnecessarily inflate costs (e.g. fixed costs having to be spread over a shorter period).
 - e) **Risk and resilience.** A county wide approach (i.e. achieved via delegation) removes any direct risk to the council should a contract fail. Risk is also reduced in the county having both a contractor and direct labour organisation element to deliver highway works. The size of the contract arrangements enables greater scope for resilience (e.g. if a major problem occurs in Norwich resources can be mobilised from across the county).

Opportunities

Agency agreement

9. The present highways agency agreement lasts until April 2015. However the agreement is partly influenced by the nature of any contractual arrangements to deliver works. Not least under the present system the county council delegates functions to this council which in turn are part delegated back to the county council. A simpler and more transparent system would be to have the one delegation agreement. It is therefore proposed to bring forward the review of the present agency agreement with a view to renewing in April 2014 to coincide with any new contracts.
10. Whilst it is not anticipated that the nature of the agreement will change significantly as well as simplifying arrangements it will help ensure that county requirements and city requirements are aligned with any contract details specified to ensure efficient delivery of both. It may be sensible to align agency agreement durations with contract review dates.

Highway rangers

11. The county council has introduced a highways ranger service. Whilst this service – such as sign washing – fulfils an asset management requirement, it has also been possible to tailor it to better meet residents' wishes and not to be simply driven by assessment of condition based only on surveys or highway inspections. The services are very well regarded by the public and county members. Unfortunately in transferring to the county contracts from CityCare it has not been possible to introduce a similar service in the city.
12. The county's rangers' service is aligned around parish councils and also includes elements of verge and tree maintenance which in the city are covered in the grounds and trees contracts. However, city and county officers have concluded that something like the highways ranger service would be possible to introduce in the city helping to better meet resident's wishes and making use of the present neighbourhood working model as a template. It is recommended that this be taken forward as part of the county re-procurement/agency review

Highway type works on housing and other council owned land

13. The volume of highway type works on housing and other council owned land delivered through the county contracts since the end of CityCare has been limited amounting to some £100,000 p.a. Such work has included a variety of routine repairs, winter maintenance and some programmed surfacing. It has been successfully delivered, particularly in relation to winter services, where the county have been able to guarantee supply of salt at very competitive prices through two severe winters.
14. Given successful delivery to-date and the relatively low volume of work involved it is recommended that the council seeks to continue being able to deliver such work via the county contracts. The county council contracts will have gone through a re-procurement to demonstrate best value. As with the present arrangements the intention would be allow this as an option but not to be tied to using the contracts (e.g. to enable market testing from time to time).

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	12 September 2012
Head of service:	Head of city development services
Report subject:	Norfolk county council highways re-procurement
Date assessed:	10 August 2012
Description:	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Re-procurement of highways services will ensure competitive market testing of such services to help ensure best value
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The county council wish to adopt a model which encourages employment of local people through the appropriate mix of in-house employed staff, appropriate contract requirements and carefully chosen evaluation criteria
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Potential to improve utilisation of vehicles and plan to reduce transport costs
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Potential efficiencies associated with a county wide approach which could help reduced waste and resource use, reduce pollution and minimize climate change impact
Pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Reduced risk to the council in delivery of highway services via the county council's contracts

Recommendations from impact assessment	
Positive	
	Take steps to help the County Council to achieve local employment, training, apprenticeships, etc. and to help deliver sustainable procurement.
Negative	
	n/a
Neutral	
	None
Issues	
	None