

Meeting:	Cabinet
Date:	6th April 2006
Subject:	Public Realm Infrastructure Services
Responsible Officer:	Andrew Trehern, Executive Director, Urban Living
Contact Officer:	Steve Swain, Interim Head of Public Realm Infrastructure
Portfolio Holder:	Phil O' Dell, Environment and Transport
Key Decision:	Yes
Status:	Part I (with Part II Appendix attached for Members' information only)

Section 1: Summary

Decision required

- 1) That the Council enters a partnership contract with AccordMP for delivery of the Council's Public Realm, professional services and works services.
- 2) That the other tenderers are formally notified of the above decision.
- 3) To note that there will be a ten day cooling off period following this decision before the agreements are formally signed.
- 4) That the Director of Legal Services be authorised to sign the Contracts on behalf of the Council.
- 5) To note that ongoing management of the partnership is delegated under existing authorities to the Executive Director, Urban Living.

Reason for report

To obtain approval to enter into a long term partnership for an initial five years with extensions up to seven years, depending on performance.

Recommended partner

AccordMP is a new company specifically set up to deliver services through partnership arrangements with the public sector. The company is backed by Accord and Mouchel Parkman, two large national contractors. Combined they have over 8,000 employees and an annual turnover in excess of £700m. They have excellent management processes and experience in delivering design solutions to the public realm sector. Together they are a potent force in enabling change, innovation and quality delivery. A copy of AccordMP's tender executive summary (combined for works and professional services) is included as Appendix 1.

Benefits

The proposed partnering arrangement will deliver significant benefits over the five year initial term of the agreement. Whilst in the short term there is likely to be an increase in absolute costs, limited to the approved budget, over our current providers (who are below market rates). This is quickly countered as a result of increasing efficiency savings; the linkage of the prices to a fixed addition relative to the retail price index (RPI); and improved quality of service.

The benefits of the proposed partnership can be summarised as:

- Innovation in processes, management, design and construction.
- "End to end" management of the design, works and administration processes.
- A step change in the quality of delivery and design throughout the public realm.
- A real drive to whole life costing and sustainable solutions.
- Performance led management of the partnership contract through a regime of key performance measures based on the Councils priorities for the public realm.
- Capacity gain generally and particularly in relation to ability to deal with peaks in workload.
- Continuous improvement through development of industry best practice and professional leadership accessible through the partnership.
- Enhanced capability by having access to all relevant professional, technical and operational expertise.
- Skills transfer to the in-house staff.
- Access to partnership services is available to our partners.

This partnership is fundamental to enabling an effective response to traffic congestion and road and pavement repairs which are identified within the top three priorities in the MORI quality of life survey.

The consolidation of twenty existing contracts (the majority of which were let under compulsory competitive tendering) into a single partnering arrangement will bring economies in procurement, finance and other support areas, contributing to our efficiency savings.

However the most important benefits derive from the focus that will extend the “one team” approach to delivering the Public Realm Infrastructure services with a clear quality agenda based on increasing and managing performance through a measurable regime of Key Performance Indicators (KPIs) (see appendix 5), which target an increase year on year. This will deliver for our customers innovative and sustainable solutions to the public realm leading to improved satisfaction rates.

This approach is also synonymous with that adopted by the BTP initiative and by the forthcoming approach to the new Property Services Partnership.

The combination of the above delivers both the Government’s and Audit Commission requirement, as outlined in the Egan report and recommended as best practice by the OGC. It will also deliver the efficiency gains promoted by Gershon through long-term partnering/long term contracts, early contractor involvement, whole life costings, focus on quality as well as costs. This will deliver the Council’s agenda for improving the public realm and will contribute to improved CPA ratings.

Cost of proposals

There are no additional budgetary requirements for these proposals over the approved budget allocation for both Capital and revenue expenditure attributable to the Public Realm Infrastructure on a yearly basis. Any additional costs will be contained within approved budgets.

As part of the development of the contract, Capita Symonds (BTP Strategic Procurement) undertook a quality assurance role to ensure the proposals were robust and Price Waterhouse Coopers carried out the financial evaluation of the works tender.

Risks

Financial: Price increases during term. Limited to contractual RPI based indexation.

Innovation: As this is a new approach to partnering and is at the forefront of public realm thinking there will be a potential risk in terms of ensuring that all parties understand the partnering ethos. A communication and integration plan addresses this risk.

Resources: Re-training and meeting a new demand for managing a new commercial relationships. An integration plan will address the risk.

Service: Some risks associated with the handover process in terms of service with potential short-term deterioration during handover period. One particular aspect could be the relationship with SEC, our current and proposed lighting contractor. However AccordMP are confident that with their greater leverage they will be able to effectively manage this. Guarantees have been received from current suppliers regarding continuity of service. In addition the preferred partner will use some of the existing suppliers.

Contract: Flexible arrangement with ability to terminate for any cause. Limited to normal contract type risks, negated through performance bonds, parent company guarantees and warranties.

Implications if recommendations rejected

Existing contracts terminate by 30th June and would have to be re-tendered.

In the meantime the council would have to procure temporary and likely more expensive arrangements for essential services, with a consequential adverse impact on planned maintenance and other scheme delivery.

A revised strategy would need to be developed to address how the Council will improve services and deliver value for money in the medium to long term, against a possible background of an abortive and expensive tendering process for major players in the market.

Section 2: Report

Background

1. Work has been ongoing for some two years prior to the commencement of this initiative to allow a co-terminus expiry of existing contracts (June 2006) which were let under the CCT regime. This allowed the Council to put in place a re-organisation of the existing relationships to accord with the Egan and Gershon recommendations for delivering excellence as well as complying with EU legislation on procurement.
2. The Council has traditionally procured its public realm infrastructure (PRI) works through individual contracts for each of the disciplines, and has procured design and other professional services to supplement in-house expertise as the need has arisen.
3. The PRI group, part of Area Services Department, consists of Traffic and Road Safety services, and Civil Engineering, which delivers design, project management, contract management and works procurement.
4. The scope of the services to be incorporated within the new partnership are as follows:
 - Design, contract and project management services.
 - Infrastructure works comprising the following services: footway and carriageway maintenance, anti skid, patching, surfacing, gullies, fencing, lining, ground investigation, carriage crossings, general highway/civil/structural/drainage/traffic, signs, responsive highway maintenance (including emergency response and winter gritting), street lighting, hard and soft landscaping, street furniture, CCTV infrastructure, playgrounds, parks and green belt.
 - Traffic and Road Safety services including investigations, surveys, design, consultation, promotions and other professional services.

Principles

5. A review of the way the existing services were provided was undertaken and the following guiding principles for improvement were identified:
 - Design Innovation
 - Capacity and capability enabler
 - Life cycle costing
 - Improve performance through effective management to deliver quality, cost and efficiency improvements
 - Developing longer term relationships with suppliers
 - Improve collaborative working
 - Sustainable solutions
 - Mutual benefit to partner and council
 - Focus on stakeholder satisfaction
 - Building in safety and re-assurance including designing out crime
 - Early contractor involvement in design
 - Better and improved risk management and planning

6. This review also involved engaging with other authorities recognized as best practice highway authorities (see appendix 2) and concluded that consolidation of services was required and that a move towards partnering type arrangements is the optimum to deliver a step change in the service and management of performance. This also complies with the Government and Audit Commission prescribed best practice.

Partnering arrangement

7. The new partnering arrangement will drive efficiencies through a number of areas, in particular the following;
 - Key performance indicators (KPI), which are linked to incentive payments based on the partner's willingness to share risk. Each bidder has submitted an amount of the payment they are willing to put at risk should they fail to achieve the KPI targets. On the converse side the Council will pay a small additional amount should the partner over achieve the KPIs.
 - One of these KPIs relates directly to an efficiency saving on the yearly spend figure. The amount inserted into the KPI is a contractually agreed amount that will be saved per annum (approx 2 to 3%).
 - A key aspect of the performance regime is the absolute requirement to deliver our winter gritting and emergency response services. A KPI covers these and has a performance based payment or deduction that ensures these services are prioritised and delivered without compromise.
 - Involvement of all parties in early design decisions through the management design groups will deliver efficiencies in design and construction and promote best value solutions based on cost and sustainability.

- Projects will move to a “target cost “ regime where there will be shared incentives for bringing in a project below the budget figure, benefiting both the Council and the partner in delivering efficiencies.
 - Sharing and dissemination of good practice and innovation through the Service Improvement Groups (SIG) will deliver quality as well as cost improvements across all areas.
8. At the strategic level governance and management will be developed in consultation with the relevant Portfolio Holder with the day to day relationship managed through a “one team” operational partnership board and management team who will drive efficiencies and continuous improvement throughout the whole of the public realm, including processes, management practice, and design and service delivery. A key enabler for this is the requirement for the co-location of the partners’ management team.

Procurement process

9. The procurement process was conducted through the OJEU restricted procedures process and expressions of interest were requested from works and professional services partners either separately or as a combined bid.
10. 74 replies were received and 18 companies completed and returned a Pre-Qualification Questionnaire. Out of these a shortlist of 5 works and 5 professional services tenderers was chosen and invited to tender. All 5 works tenderers returned compliant tenders and 3 professional services returned compliant tenders. One of the tenderers submitted tenders for both the works and professional services elements (AccordMP).
11. As part of the development of the contract Capita Symonds undertook a quality assurance role to ensure that the proposals were robust and Price Waterhouse Coopers carried out the financial evaluation of the works tender.
12. The proposed partnership arrangements will put Harrow at the forefront of public realm procurement within the London Boroughs. The relationship will be managed through performance based indicators (KPIs) and a combined management structure to ensure communication, collaboration and continuous improvement is at the forefront of the relationship. It is likely that this arrangement will become a benchmark for others (learning has already been shared with other boroughs).

Evaluation and results

13. A key feature of the procurement process has been to evaluate and select on the basis of quality as well as cost.
14. For the works tender the evaluation has been weighted: quality 75%, price 25%. Further details of the evaluation process for the quality aspect of the works tender are set out in Appendix 3.

Works results			
Bidder	Quality score max 75	Price score max 25	Overall max 100
AccordMP	58	19	77
Ringway	58	11	69
Fitzpatrick	47	20	67
McNicholas	34	17	51
RCS	41	8	49

15. For the professional services tender the evaluation has been weighted: quality 85%, price 15%. Further details of the evaluation process for the quality aspect of the professional services tender are set out in Appendix 4.

Professional services results			
Bidder	Quality score max 85	Price score max 15	Overall max 100
AccordMP	80	11	91
Atkins	61	5	66
Pell Frischmann	30	6	36

16. Further details of the evaluations are included at Appendix 5 (Part II – confidential).

Consultation

17. Consultation for this initiative has been carried out with key members, the staff, trade union and existing partners. There have been a number of open forums held with staff to both explain the rationale for the changes and provide a platform for the airing of views. In addition regular newsletters have been circulated to all PRI staff at each stage of the process. A web address also exists for staff to email comments they may have.
18. The final evaluation process also widened the project team to include more staff from PRI in the evaluation and encourage active involvement.

Financial implications

19. Financial implications are included throughout this report.
20. Yearly expenditure will be limited to the approved budgets available and no commitment has been made to the partner regarding any level of funding.
21. For both works and professional services funding will come from the approved capital and revenue programmes.
22. Group and service managers within PRI will ensure spend is kept within the approved budget.
23. A summary of net present costs based on a notional workload (works) is set out below for comparison purposes.

Option	Year 1	Year 5 (cumulative)	Year 7 (cumulative)
Market benchmark*	£16.23m	£95.71m	£130.26m
Current **	£11.89m	£79.28m	£111.00m
Accord MP	£15.88m	£90.18m	£121.69m
% Diff to Market	-2%	-6%	-7%

* Market benchmark has been derived from an independent assessment of the current market rates across a number of achieved prices for similar services. This more truly reflects the price available in today's market.

** Current prices are not sustainable over the short to long term and do not reflect the future changes that will occur through market demand which is likely to push the prices up substantially above inflation rates. They have been inserted to illustrate the closing gap through efficiencies compared to the preferred bidder.

Legal implications

24. The Council has conducted the procurement in compliance with EU public procurement rules and can enter into the contracts. Legal Services has approved the contracts and confirms that they give the Council adequate legal protection and clearly set out the rights and obligations of the Council and the contractor.

Equalities impact

25. Development of a well thought out and designed public realm is fundamentally important to all citizens. In particular good design and implementation will deliver better access to all public realm facilities, parks, open spaces and footways for those citizens who are mobility impaired. Utilising good and innovative design will have a positive impact on the way all citizens use and interact with the public realm, including the elderly and children.

Section 17 Crime and Disorder Act 1998 Considerations

26. Using innovative and well thought out design in the context of a safer and more friendly environment will deliver changes to the infrastructure that will enhance access and use of the environment for all. Well lit and designed spaces offer a degree of well being and comfort in the use of the public realm without fear of crime. Acting in unison with our partners in this area will deliver positive results in an area that is high on the list of most peoples concerns.

Appendices

1. Executive summary from Accord MP (colour copy circulated separately to Members of Cabinet)
2. Review of Best Practice
3. Evaluation process for tenders (works)
4. Evaluation process for tenders (professional services)
5. Tender evaluation results (Price and Quality) (exempt – by virtue of paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 in that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information)).

The above appendices have been circulated in the Cabinet Supporting Documents pack

Background papers

- Tender documents for Works and Professional Services

Any person wishing to inspect the background papers should telephone Steve Swain on 020 8424 1538.