

CABINET

15 OCTOBER 2008

PRINCIPAL SCRUTINY COMMITTEE

20 OCTOBER 2008

THE DEPOT SERVICES CONTRACT – THE FUTURE SCOPE

REPORT OF CORPORATE DIRECTOR (POLICY)

Contact Officer: Bob Merrett Tel No: 01962 848165 bmerrett@winchester.gov.uk

RECENT REFERENCES:

PS258 – 4 December 2006 and endorsed at Cabinet 13 December 2006 – included elements of Depot Services Contract amendments.

EXECUTIVE SUMMARY:

As work continues on the procurement of services covered by the Depot Services Contract which comes to an end in 2011, it has become clear that the two major parts of the current contract, housing responsive repairs and environmental services, should be procured separately in future if best value for both parts is to be achieved. The poor main contractor performance on housing repairs led to the appointment of a small number of local contractors to provide a flexible response on repairs and void maintenance. This approach, which has worked very well, may be the preferred option for adoption on all aspects of the responsive housing work post 2011, but that would be subject to the findings of the procurement process. There was always likely to be a move to separate the two main elements of the Depot Services Contract, and in addition to providing a better housing solution, it would be a necessity if the initial discussions taking place with neighbouring authorities on the possible joint procurement of at least some of the environmental services were to prove successful.

To allow the work leading up to 2011 to be completed in good time, agreement is sought now to separate the procurement processes to enable responsive housing repairs to be procured in parallel with, but no longer connected to, the environmental elements of the Depot Services Contract.

The complex possible joint authority arrangements for the environmental services are still being discussed and negotiated and updates and recommendations will be brought back to Cabinet and Principal Scrutiny Committee for further decisions in due course.

RECOMMENDATIONS:

To Cabinet

- 1 That Cabinet agree in principle to the future separation of the Depot Services Contract as outlined in the report and allow the procurement processes for the environmental services and responsive housing repair services to proceed along their own appropriate pathways, as long as that approach continues to demonstrate best value to both service areas.

To Principal Scrutiny Committee

- 2 That the proposals outlined in the report and the decision of Cabinet be noted.

To Cabinet and Principal Scrutiny Committee

- 3 That reports on progress with the procurement processes and future resource implications be brought back to Cabinet and Principal Scrutiny Committee as appropriate.

CABINET15 OCTOBER 2008PRINCIPAL SCRUTINY COMMITTEE20 OCTOBER 2008THE DEPOT SERVICES CONTRACT – THE FUTURE SCOPEREPORT OF CORPORATE DIRECTOR (POLICY)DETAIL:1 Introduction

- 1.1 The current Depot Services Contract, currently let to Serco Ltd, commenced in April 2001 and runs for 10 years until the 31 March 2011. The contract contains a clause to allow an extension for up to two years subject to it being agreed by both sides, but hopefully this provision will not need to be invoked.
- 1.2 The contract consists of the following main elements:
- Household Refuse Collection and Recycling – Doorstep collection and ‘bring’ sites
 - Grounds Maintenance
 - Street Cleansing and Litter Clearance
 - Public Convenience Cleansing
 - Pest Control
 - Responsive Repairs of Council Housing
 - Sewage Treatment Works and River maintenance
- 1.3 In addition to these main contract elements, there are also smaller but associated parts that Serco have been undertaking out of the Bar End Depot either for the City Council or for other local employers. These include highways maintenance/grass cutting for Hampshire County Council, trade waste collection for various local businesses, responsive housing repairs service for Places for People Housing Association and until 30 September 2008, the provision of the Mayoral chauffeur service.
- 1.4 The Contract was constructed in its initial format because of advice from consultants that this would provide stronger competition and thus better value for money. With hindsight the packaging didn’t provide the Council with a wide choice and saw costs

increase significantly over their previous levels. Subsequent and more recent procurement exercises elsewhere suggest that the main contractors operating in the market tend to focus their activities on the delivery of environmental type services.

2 Purpose of the Report

- 2.1 The procurement options that need to be considered for the renewal of the Depot Services Contract in 2011 are more numerous and thus more complex than when this was last considered in 1999/2000. The environmental services form the bulk of the contract, but the main reason for bringing this report forward at this stage is to seek agreement in principle to separate the renewal of the housing responsive repair matters from the environmental services and agree to move into separate procurement exercises. During the course of the current Depot Services Contract, when the contractor was having difficulties with housing repair performance, the Council removed some work from the main contractor and formally used a small number of local contractors which overcame many of the problems. It suggested that in the future procurement exercise, the housing elements ought to be procured in a way more appropriate for the service and the local housing market to ensure that both the Council and tenants get the service they demand.
- 2.2 The term 'contract' is used throughout the report for ease of reference, but other options such as bringing work in-house or setting up an arms-length organisation as an alternative to letting a formal contract to an external third party will always be explored.

3 Environmental Services

- 3.1 The majority of work being undertaken currently on the environmental services contract elements involves exploring the potential for joint working with up to seven of the Hampshire district and unitary councils. This approach could help reduce the impact of future cost increases that almost certainly will be seen as well as help reduce Carbon emissions, but is much more complex given the differences of policy and operational practices that exist across the authorities.
- 3.2 There are many more issues to be resolved before any agreement to work together as a consortium can be finalised. Decisions will have to be made on the degree of conformity to common systems that can be accepted, as currently two of the seven authorities still have weekly residual waste collection and one of these uses sacks not bins. Although there seems to have been an acceptance of these differences by the other partners in the joint discussions, they would almost certainly have an impact on the cost of a future joint contract and agreement would need to be reached on the acceptability of this position and on cost apportionment if additional costs were incurred as a consequence.
- 3.3 Another matter still to be resolved is the exact scope of any joint contract. As indicated above the current Depot Services contract consists of a number of small elements in the environmental services category. Although the major parts, such as refuse and recycling collection and grounds maintenance would almost certainly be included in a joint contract, it is not clear if such things as litter collection and street

cleansing would be included and, even if they were, there are many other smaller parts for which the Council would have to make alternative procurement arrangements. This again could have cost and Carbon emission implications which would need to be better understood before final decisions could be made.

- 3.4 The option of bringing services in-house or exploring some other form of partnership vehicle were also part of what the City Council had hoped to explore but it is not clear whether this would be possible with the currently proposed seven authority joint arrangements. This makes the procurement exercise potentially very complex and would be subject to considerable negotiation across the authorities.

4 Risk Assessment

- 4.1 The Council's appetite for risk has not been formally determined but tends to be cautious and prudent. However, in this Depot Services Contract procurement exercise, it will be necessary to consider all potential delivery options and recognise that some options which could bring greater benefits to the community, may also pose greater risks.
- 4.2 At the current stage, in looking at the potential to obtain the best value outcome in all parts of the procurement process, it is felt that the approach that is likely to deliver the most success, apart from joint working which has to be explored further, is through the separation of the housing repair and environmental services contract elements as proposed in this report. Packaging the contract in this way would provide for greater flexibility of procurement options by making it possible for the smaller and often local housing contractors to form a credible offer. It is felt that if the Council were to retain the same broad scope as in the original Depot Services Contract, it would be increasing risk to an unsatisfactory level, in that it is felt that fewer contractors would be able or willing to bid for the whole work activity and a result of the kind that occurred during this contract could be repeated. Not separating the main elements would also almost certainly prevent any possibility of being part of a joint authority project, increasing further the risk of an unsatisfactory, uncompetitive outcome.

5 TACT Comments

- 5.1 TACT whole heartedly agrees that due to the main contractors poor performance on housing repairs, there came a time and the need, to appoint a small number of local contractors to put matters right.

This is not a position the council or tenants want to find them selves in again.

It was certainly not a case of Best Value for Money.

Discussions with neighbouring authorities, on possible joint procurement of at least some of the environmental services, could well be the way forward. TACT believes this is working quite well in other parts of the country already.

Item 4.2: At the current stage, in looking at the potential to obtain best value -----

This section would seem to cover the ground work well, and points out the dangers if the council retain the same broad scope as in the original Depot Service Contract.

TACT, know to its cost this caused many heated debates at meetings, over the standard of service provided not being up to standard.

Financial implications have to be taken on board creating two procurement strands rather than one, and the impact on staff resources. TACT know all this will be considered, however if over all improvements can be made, money could well be saved and services improved.

TACT knows that maintenance and repairs are grossly under funded by the government.

Tenants are fighting to put this right, and will continue to do so, to get back money we pay out of our rent in negative subsidy to the Government.

Any action the council can take to improve services provided, to tenants will be welcome and will have the full support of TACT.

TACT will welcome further updates as matters proceed.

6 Serco

- 6.1 Serco are aware that of the approach outlined here, and will be briefing their staff at the Depot to avoid undue concern being generated at this early stage. Recognising the partnership already in place, officers will discuss options with Serco to obtain their own insight into current service practices in these areas. However, Serco recognise that this will not give them any advantage in future tendering exercises, and officers will take care to ensure that the process is not compromised through such a dialogue.

7 Conclusions

- 7.1 In relation to the environmental services, these and many other matters will be part of the inter-authority discussions that will be taking place through the autumn and into next year. The matter of the separation of responsive housing repair elements would not have any impact on the joint authority discussions and indeed would have to happen if a joint environmental services project was to proceed.

OTHER CONSIDERATIONS:

8 CORPORATE STRATEGY (RELEVANCE TO):

- 8.1 Although the renewal of the Depot Services Contract will largely support the High Quality Environment particularly in keeping neighbourhoods clean and green, this particular report is related to maximising the effectiveness of the procurement process thus ensuring the Council is Effective and Efficient.

9 RESOURCE IMPLICATIONS:

- 9.1 The report has no direct financial implications of but creating at least two procurement strands rather than one will increase pressure on staff resources. The whole procurement exercise will have additional resource implications and once preliminary estimates have been established further reports will be brought to Cabinet for decision.

BACKGROUND DOCUMENTS:

The Depot Services Contract – 2001 - 2011

APPENDICES:

None