

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	FUTURE SERVICE DELIVERY ARRANGEMENTS FOR ROMANSE AND CCTV
<b>DATE OF DECISION:</b>	16 APRIL 2012
<b>REPORT OF:</b>	CABINET MEMBER FOR ENVIRONMENT AND TRANSPORT AND LEADER OF THE COUNCIL

#### **STATEMENT OF CONFIDENTIALITY**

Appendices 2, 3, 4, 5 and 6 of this report are not for publication by virtue of category 3 (financial and business affairs) of paragraph 10.4 of the access to information procedure rules as contained in the Constitution. It is not in the public interest to disclose this information because it compromises financial and business information that if made public would prejudice the Council's ability to operate in a commercial environment and obtain best value during a 'live' procurement process prior to final tenders being received and contracts being entered into.

#### **BRIEF SUMMARY**

A review of the Council's Intelligent Transport System service (Romanse) and Public Safety CCTV service concluded that for strategic, operational, and financial reasons these services should be co-located. The review determined that on balance a private sector partnership would provide the most suitable and sustainable way of achieving this objective.

In July 2011 Cabinet approved the commencement of a competitive dialogue procurement process to select a private sector service provider to relocate the Council's Intelligent Transport Systems and Public Safety CCTV services and to maintain and operate the services for a period of up to 15 years

That work has now been completed and based on the evidence presented through the competitive dialogue process, Cabinet are recommended to approve entering into a 10 year partnership with Balfour Beatty Living Places, with an option to extend by a further 5 years, to relocate and manage a combined Romanse and CCTV service at City Depot and to delegate to the Director of Environment, in consultation with the Head of Finance & IT, the Head of Legal, HR and Democratic Services authority to make all necessary arrangements to action this decision.

#### **RECOMMENDATIONS:**

- (i) That the City Council should enter into a 10 year partnership contract with Balfour Beatty Living Places with an option to extend by a further 5 years, to deliver a new combined ROMANSE and CCTV Service at City Depot with a service commencement date of 1<sup>st</sup> October 2012
- (ii) To delegate authority to the Director of Environment, in consultation with the Head of Finance and IT, the Head of Legal, HR and Democratic Services to proceed to financial and contractual close
- (iii) To delegate authority to the Head of Legal, HR and Democratic Services to enter into all necessary legal contracts and documentation to action the above decisions

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The delivery arrangements for ROMANSE and CCTV services needed to be reviewed in order to ensure the Council delivered good value for money. The review was timed to coincide with break clauses and expiry of leases on current accommodation at Town Quay and St. Mary's Stadium.
2. With increasing financial pressures and reducing resources there was also a need to identify potential savings targets which need to be delivered over the next 2 years. Finally, a need to maintain and improve assets, and look at potential income generation means that the services cannot continue to be delivered in the same way.
3. Challenging savings targets of £520,000 have been set against the services to deliver over the next 2 years. These savings will be guaranteed as part of the contract sum and will be delivered in the first year of contract commencement. Alternatively the service will need to deliver them themselves over 2 years.
4. Following an options appraisal a new combined and co-located. ROMANSE and CCTV service was considered the best way forward. The comparison concludes that an externalised arrangement provides the council with the best value for money option and lower risk as opposed to continuing to provide the services in-house.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

5. The option of continuing to deliver services in the current way was ruled out on the grounds that service efficiencies needed to be delivered, substantial savings were required and there was an opportunity to vacate premises.
6. The option of scaling the ROMANSE and CCTV services down to a skeleton service was considered and rejected because:
  - It is a high risk strategy because LTP and Safe Cities objectives would be very difficult to deliver which may impact on the Economic Development of the City
  - Additional funding when received for one off projects (for example through LTP or EDRF funding) would have to be treated as discrete projects and external consultants used to deliver the ROMANSE elements of these projects which would be a much more expensive approach.
  - There would be no strategic management of the City's road network.
  - This option would require further staff redundancies
7. The option of partnership working with other Authorities has been considered and rejected. Whilst this could generate savings and income, it requires complete cooperation with another partner Authority and is considered to be difficult to achieve in the timescales required and there are no guarantees that such an arrangement could be delivered.
8. The option of delivering ROMANSE and CCTV services through other delivery models such as a Trading Company has been rejected. Whilst the Council has trading functions, it currently does not have a Trading Company which would allow services to take a more commercial approach to charging and winning third party contracts. Setting up such a Trading Company is not possible in the timescales required in order to deliver savings and vacate properties.

9. Consideration was also given as to whether the combined service should be delivered in house or through a private sector partner. The two in house options considered were to deliver a combined ROMANSE and CCTV Service at City Depot, or alternatively at St Mary's Stadium. Both in house options have been considered against the preferred bidders final bid, but following evaluation of all 3 bids (as set out in appendices 3 -6) the conclusion is that the bid from Balfour Beatty Living Places provides a more robust solution and guarantee of delivering the required savings than either of the 2 in-house options.

## DETAIL

### Introduction and Background

10. In late 2010 a project was established under the direction of the Transformation and Efficiency Board to look at future service delivery arrangements of the ROMANSE and CCTV services.
11. These services operate out of Town Quay and St Mary's Stadium respectively and at the time, had suffered from a lack of investment for many years. These services, whilst not being statutory, contribute to the statutory Traffic Management Duty and Crime and Disorder Act obligations. **The services are described in Appendix 1** which details the scope of work currently undertaken, staff levels and service volumetrics.
12. Both services have control rooms and it was felt that combining the services would enable buildings to be vacated and savings to be maximised in line with the councils approach to property rationalisation. This was also necessary due to pressure on Council budgets, investment being required in the services and because potential additional income from third parties had not been fully realised, despite challenging targets being set.
13. An options appraisal was carried out and evaluated on the following criteria:
  - minimise draw on Council budget;
  - delivery of service efficiencies with minimal impact on service effectiveness;
  - improve staff and service quality and customer focus;
  - ability to generate income and expand service; and
  - flexibility and ability to respond to future developments and meet key service challenges.
14. An outline Business case was undertaken and assessed and on 13<sup>th</sup> April 2011 a report was taken to the Transformation and Efficiency Board recommending that a Private Sector Partner was the best way of relocating services.
15. The key findings were:
  - that the continued provision of these services was crucial to the economic well being of the City. Therefore simply cutting them was not an option;
  - that the relocation was technically complex;
  - that savings could not be delivered without investment;
  - that co locating at City Depot would have strategic, operational and financial benefits;

- that the external provider solution appeared to be the most appropriate method of delivery; and
  - that relocating to City Depot adjacent to Housing Services may offer further opportunities for integration at a later date.
16. On 4<sup>th</sup> July 2011 a report was taken to Cabinet and a recommendation approved to:
- “commence a competitive dialogue procurement process to select a private sector service provider to relocate the Council’s Intelligent Transport Systems and Public Safety CCTV services and to maintain and operate the services for a period of up to 15 years”
17. The report stated that:
- “On balance, the considered view is that tendering the services on the competitive market will drive down the cost of relocation (through innovation and risk transfer) and ensure service levels are protected to a greater degree than if delivered internally”.
18. Following this report, competitive dialogue was instigated with four interested bidders. This was reduced to two bidders, of which part way through competitive dialogue, one dropped out of the process due to being able to reach the affordability threshold. The City council continued dialogue with the remaining bidder and now has an affordable proposal from Balfour Beatty Living Places.
19. A decision is now recommended to proceed to enter into a partnership with Balfour Beatty Living Places to deliver a combined Romanse and CCTV service and commence the delivery arrangements in order to ensure that properties are vacated at Town Quay and the Stadium and to meet savings targets and deliver services effectively for the next 10 years.
20. The appendices to this report have been compiled to provide detail on the current services provided and specific details of the in house and externally provided service. The appendices are:
- **Appendix 1 – Details of the Current ROMANSE and CCTV Services**, which details the scope of work currently undertaken, staff levels and service volumetrics;
  - **CONFIDENTIAL Appendix 2 – Resource Implications for Option 1**, which details the resources for delivering a combined externally provided service at City Depot;
  - **CONFIDENTIAL Appendix 3 – Key Features and benefits of the Future Service Delivery Options**, which details the features and benefits of 3 options – an externally provided service compared against an in-house service based at City Depot or Saint Mary’s stadium;
  - **CONFIDENTIAL Appendix 4 – Key Features and benefits Comparison between Service Options**, which compares the options against a number of critical issues including cost, savings, risk of delivery, staffing, income, asset management and service delivery
  - **CONFIDENTIAL Appendix 5 – Options Cost Summary**, which

provides a summary of the overall costs of delivering the service, income generation and savings; and

- **CONFIDENTIAL Appendix 6 – SCC Risk Matrix**, which scores the likely risk of each element of the future service and an associated commentary.

### **Summary Comparison of Options and Conclusions**

21. The in house service and externally provided service are compared in Confidential Appendices 3 - 6
22. In conclusion the externally provided combined service at City Depot is recommended as the best option because:
  - it ensures a sustainable service will delivered over the next 10 years;
  - it maintains and renews assets to an average 5 year residual life;
  - it provides greater certainty in delivering the required savings;
  - the overall likelihood of success in terms of relocating services, upgrading equipment and transforming the service is higher than alternative in-house options;
  - risk is transferred away from the Council in terms of electricity price and usage increases and insurance claim collection;
  - a commercial approach is taken to additional income opportunities which supports the investment and the service;
  - detailed proposals exist for the technically complex relocation of services;
  - wider expertise is brought into the Council and project rates are agreed; and
  - service levels are defined and subject to performance deductions, therefore providing greater certainty on service delivery levels.

### **Timescales**

23. In order to facilitate the exit of services from St Mary's and Town Quay by year end, a mobilisation period would be required prior to contract commencement on 1<sup>st</sup> October 2012. The new combined service would be relocated and be operational from 1<sup>st</sup> February 2013 at City Depot.

### **Consultation**

24. Formal and informal consultation has taken place with staff and unions in accordance with the Council's Facilities Agreement and has been supported by HR Pay and Strategic HR/OD.
25. During consultation, the Unions raised concerns that terms and conditions of employment for current staff would not be maintained. They were also concerned that the future pay and terms and conditions of employment for any new staff recruited by the new provider, would be less favourable, creating a 'two tier' workforce.
26. Specifically Unions have also stated that they want
  - an open pension scheme;
  - admitted body status for the provider;
  - a clear understanding of what HR policies providers must adhere to;

- consultation on the evaluation of the bids; and
  - comparison with an in house option.
27. In response to the Unions concerns it has been agreed that:
- bidders have declared that they will gain admitted body status;
  - copies of the HR policies to which providers must adhere have been sent to the Unions; and
  - arrangements have been put in place to allow the Unions and their respective Offices to view the confidential parts of the Cabinet submission.
28. Concern was also expressed by the Unions that timely consultation had not taken place at the start of the project.  
Staff in ROMANSE and CCTV have been briefed as part of normal Team Meetings and their feedback has been in relation to:
- could the in-house option have an opportunity to gain income;
  - how the merged service would run;
  - what would the staffing levels be; and
  - whether there were opportunities for partnership working with other local authorities.
29. The need to engage the Unions and staff in the review of the service was recognised from the very start of the Project and they were made aware of the intention to look at co-locating CCTV and ROMANSE and entering dialogue with bidders early in 2011. Formal consultation was undertaken with ROMANSE staff in December 2011 and in January 2012 for CCTV staff and is ongoing. A joint formal consultation meeting of staff from ROMANSE, CCTV and the Unions was held on 7 March 2012.
30. Formal consultation began with Unions in November 2011 before the detailed solutions were sought. Many of the comments and concerns that have been received have been considered by both the Project team and the bidders so that they could be addressed.
31. Concerns raised by staff, such as staffing levels, have been used by the Project Team to challenge the bidders' solutions as part of on-going negotiations.
32. The transfer of staff is subject to TUPE regulations and any Council staff who would transfer to a new provider will have full protection of their contractual terms and conditions, such as pay. The ongoing recruitment and terms and conditions for the newly recruited staff during the life of the contract will be determined by the provider and it was not considered appropriate to require the new provider to continue to allow access to the Local Government Pension Scheme (the Local Government pension arrangements will therefore be a 'closed' scheme, so will only be available to staff who TUPE).
33. Consultation has taken place with the Leader of the Council, the Cabinet Member for Environment and Transport, Overview and Scrutiny, the Change Programme Steering Group (formerly the Efficiency and Transformation Board).
34. Further consultation will take place in line with TUPE regulations and Council Policy prior to contract commencement.

## **Human Resources implications**

35. SCC currently employs 9 people (9 Full time) within the CCTV Service and 5.5 people (5 Full time and 1 part time) within ROMANSE Service.
36. The externalising of the services provided by SCC falls within the Transfer of Undertakings (Protection of Employment) Regulations (TUPE).
37. Whilst the detailed implications would need to be agreed prior to the transfer, the principle is clear. Employees who are directly assigned to this service would transfer to the new service provider. This means that those currently identified by SCC as being assigned to the service in the area under consideration would transfer to the employment of the new provider, on their existing terms and conditions of employment.
38. The transferring organisation would receive 14.5 FTE members of staff and at point of transfer the receiving organisation will be responsible for any future liabilities.
39. A closed pension scheme is offered by the provider and the risk of changes to the employers contribution rate remains with the Council.
40. The proposal is for the receiving organisation to remain at the current office locations at St Mary's and Town Quay, in the first instance but with the proposal to move to City Depot.

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

41. The financial evaluation of the bids shows that all 3 options meet the affordability criteria.
42. However, it is clear that in financial terms Option 1 (externalisation), based on the final tender submission by Balfour Beatty Living Places, provides a guaranteed contract price which is within the affordability envelope and thus ensures that the savings the Council had planned to achieve can be delivered.
43. Conversely, whilst the 2 in-house options meet the affordability envelope, there is less certainty in being able to deliver the required savings. If the savings cannot be delivered, then the in-house bids would not meet the affordability criteria. In particular, as set out in confidential appendix 5 and appendix 6, the affordability envelope can only be met by the in-house options if significant additional income can be earned, around which there is no guarantee.
44. The details of the how each of the 3 options compares to the affordability envelope are provided in confidential appendix 4.
45. The capital and revenue implications of the recommended option1 are set out in confidential appendix 2.

### **Property/Other**

46. If approved, the implication of this report is that leases at Ariadne House (Town Quay) and St Mary's Stadium will not be renewed long term. These leases have break clauses in December 2012 and November 2012 respectively. ROMANSE and CCTV services would move to City Depot.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

47. The proposals set out in this report (both in relation to the delivery of and method of delivery of ROMANSE and CCTV services) are empowered by virtue of section 1 of the Localism Act 2011 (the General Power of Competence). The services are discretionary services but support the Council's Highways and Traffic management duties imposed under the Highways Act 1980, the Traffic Management Act 2004 as amended and associated Regulations.

### **Other Legal Implications:**

48. The use of CCTV systems is subject to the provisions of the Data Protection Act 1998 together with the statutory CCTV Code of Practice and the Human Rights Act 1998 (to the extent that use of CCTV impacts upon an individual's Right to Privacy as balanced with the necessity and proportionality of such impact having regard to the wider community safety and traffic management benefits). The contract will require the service provider to comply with the Council's duties in relation to these Acts and to indemnify the Council for any breach arising out of either express or unintentional breach of any statutory requirements in this regard.
49. The use of CCTV contributes to the Council's Crime & Disorder Strategies pursuant to its duties under s.17 of the Crime & Disorder Act 1998 to exercise its functions having regard to the need to reduce or eliminate crime & disorder in its area.
50. The proposals in this report have been considered in accordance with the Council's duties under s.149 of the Equalities Act 2010 and the requirement to exercise its functions having due regard to the need to eliminate discrimination, victimisation and harassment and to promote equality of opportunity between persons having protected characteristics and those who do not together with the need to take steps to promote services and access to services for such persons. The proposals in this report have been fully assessed in this regard and have a neutral impact on persons having protected characteristics as service provision will be enhanced over and above existing levels for the benefit of the wider community rather than being reduced, negatively varied or withdrawn.
51. The Stage 1 Integrated Impact Assessment has been completed and demonstrated several positive impacts in the external provider option in sustainability and environmental terms.

## **POLICY FRAMEWORK IMPLICATIONS**

52. The ROMANSE and CCTV services support the delivery of the Local Transport Plan (LTP), Community Safety Strategy and City of Southampton Strategy

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**KEY DECISION?** Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	ALL
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### SUPPORTING DOCUMENTATION

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

#### **Appendices**

1.	Details of the Current ROMANSE and CCTV Services
2.	Resource Implications for Option 1- CONFIDENTIAL
3.	Key Features and benefits of the Future Service Delivery Options – CONFIDENTIAL
4.	Key Features and benefits Comparison between Service Options – CONFIDENTIAL
5.	Options Cost Summary - CONFIDENTIAL
6.	SCC Risk Matrix – CONFIDENTIAL

#### **Documents In Members' Rooms**

1.	NONE
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#### **Integrated Impact Assessment**

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes
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#### **Other Background Documents**

**Integrated Impact Assessment and Other Background documents available for inspection at:**

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	Integrated Impact Assessment	
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