

<b>SUSTAINABLE GROWTH SCRUTINY COMMITTEE</b>	<b>Agenda Item No. 6</b>
<b>21 SEPTEMBER 2009</b>	<b>Public Report</b>

## **Report of the Commercial Services Director**

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### **PETERBOROUGH CITY SERVICES (PCS)**

#### **1. PURPOSE**

- 1.1 To provide a briefing for Members on the progress in respect of Lot 3: PCS Operational Services.

#### **2. RECOMMENDATIONS**

- 2.1 To consider and comment on the progress made in respect of PCS Operational Services.

#### **3. LINKS TO THE SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT**

- 3.1 Many of the services provided by PCS are measured under the CAA and LAA.

#### **4. BACKGROUND**

- 4.1 Peterborough City Services (PCS) as an entity has become increasingly vulnerable to elements of competition on parts of its service portfolio as a result of increasing costs from job evaluation and budgetary pressures on the Council which make it more difficult to sustain loss making activities. Whilst it is relatively simple for PCS to stop undertaking certain functions, the consequences might reduce the viability of PCS, and over the long term this could raise questions over the department as a whole.
- 4.2 The services provided by PCS are, for the most part, operating at the high quartile levels or have an upward performance trajectory and, over the years, have provided the Council with a support from its overall surpluses which has been returned to the General Fund.
- 4.3 In order to ensure that PCS maintains its competitive edge and continues to provide good value to the Council, a review of the options for the service was undertaken in 2008. The review concluded that the best way forward for PCS was to operate at arms length from the Council with the potential for the Council to maintain some type of involvement or interest in the business. The initial thinking at that time was that the appropriate mechanism would be the creation of a framework similar to that created for some housing and other services in other Local Authorities - an Arms Length Management Organisation (ALMO). However, with the impact of the credit crunch and the management team's recognition of its own areas that needed strengthening, a Joint Venture with a private sector organisation or some other collaborative or partnership style of working or special purpose vehicle may be the most appropriate way forward.
- 4.4 Many of the services provided by PCS have synergies and links with the Council's waste disposal arrangements and environment capital ambitions. The view was taken, therefore, that in testing the market place for the Council's future waste arrangements that we could also gauge interest in the PCS operations into the procurement process. The Council held an Industry Open Day earlier this year to invite the private sector to offer views on how

they felt they could work to help develop and deliver the services that PCS performs. Accordingly the Council invited interested parties to register their interest, following a notice in the Official Journal of the European Union (OJEU notice), in entering into a competitive dialogue to look at collaborative, partnership or other styles of working with the Council to provide these services. In addition, a parallel procurement exercise is underway for an anaerobic digestion facility to deal with food waste, which will be collected by PCS through its waste collection service.

- 4.5 We are currently in the process of assessing the Pre Qualification Questionnaires (PQQs) submitted by interested parties with a view to drawing up a shortlist of potential companies with whom we can enter into a competitive dialogue process. In the case of Lot 3, PCS operational services, we are looking to invite six companies to be taken through to the next stage – this will be made up of three companies who are interested in a mix of all the Lots and three who are interested in Lot 3 only. The process has been structured in this way to enable the Council to compare individual bids against combined bids with a view to getting best value out of the procurement exercise for the Council.
- 4.6 A decision on the shortlist, which will be made by the Deputy Leader and Cabinet Member for Environment Capital and Culture, is likely to be taken in October 2009 and this will determine which companies will go forward to the competitive dialogue stage. At that point, those companies will be asked to submit outline proposals to the Council. The Council will then review these proposals in order to develop the scope and associated requirements which will need to be worked into the detailed proposals submitted by potential partners. Potential partners will then use this process to explain in detail how they will work with the Council to satisfy all of its requirements. There will then be a further reduction in the shortlist as it becomes apparent which organisations are best suited and committed to working towards the Council's aims and objectives. This will result in the development of a partnership based around clear outcomes for services, a range of expectations and targets, and an appropriate financial package. In many ways this reflects the process that has been followed for the migration of the Council's ICT managed services to SERCO.
- 4.7 At this time there is no fixed date for the transfer of PCS operational services because of the implications in respect of the broader Lots but all these issues will be discussed with the prospective partners during the competitive dialogue. However, it is unlikely that a transfer of the business and its employees could be achieved, taking into account consultation with employees, their trade unions and stakeholders, earlier than Autumn 2010.
- 4.8 As Members of this Scrutiny Committee will be aware, the Deputy Leader and Cabinet Member for Environment Capital and Culture held an informal briefing on 8 September 2009 for Members of the Environment Capital, Sustainable Growth and Strong & Supportive Communities Scrutiny Committees and the Waste and Recycling Task and Finish Group. The slides for this briefing are attached to this report as Annex A. As the Deputy Leader indicated in his 8 September briefing, he is intending to keep Scrutiny Members briefed and informed as the procurement progresses. His next briefing is scheduled to take place on 29 September 2009.
- 4.9 The Cabinet at its meeting on 12 October 2009 will be considering the principles for taking forward Lot 3. Other executive decisions will be made at the appropriate times during the course of the procurement process.
- 4.10 Finally, the Council and PCS management realise the implications for PCS employees and it is regularly keeping its employees and their trade unions informed. This is, of course, quite apart from the formal consultations that will be undertaken in respect of the TUPE and pensions process.

4.11 It is clear that the Council is looking for a win-win outcome and careful consideration will be given at each stage of the process to ensure that the project delivers the right solution for the Council.

**5. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

None

**6. APPENDICES**

Annex A: Presentation Slides used at the Informal Briefing held on 8 September 2009.

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