



Author/Lead Officer of Report: Gillian Charters,
Interim Head of Highway Maintenance

Email: gillian.charters@sheffield.gov.uk

Report of: Executive Director of Place

Report to: Cabinet

Date of Decision: February 2021

Subject: Proposed Changes towards a Sustainable Streets Ahead Contract.

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Environment, Steetscene & Climate Change		
Which Scrutiny and Policy Development Committee does this relate to? Economic & Environment Wellbeing		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? TBC		
Does the report contain confidential or exempt information?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Appendices B & C are not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended).		

Purpose of Report:

Report seeking approval from Cabinet for proposals to assist the Contract's long-term performance through changes to the payment mechanism and improving the quality and consistency of the service. The proposals include a significant annual saving to the Council for the remaining term of the Contract.

Recommendations:

Cabinet receives the report and approves:

- i) the proposed changes to the Performance Requirements (Schedule 2) as set out in appendix one
- ii) the proposed changes to the Payment Mechanism (Schedule 4) as set out in this report

Background Papers:

Report to the Economic and Environmental Wellbeing Scrutiny & Policy Development Committee 2019: Post Core Investment Period Review of Streets Ahead Contract.

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: Kerry Darlow
	Legal: David Cutting
	Equalities: tbc
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: Mick Crofts
3	Cabinet Member consulted: Cllr Mark Jones
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: Gillian Charters
	Job Title: Interim Head of Highway Maintenance
Date: February 2021	

- 1. Proposed Changes towards a Sustainable Streets Ahead Contract**
 - 1.1.1 The Streets Ahead Highways Maintenance contract, which commenced in 2012, is described as a fence-to-fence contract covering all aspects of highway maintenance including; road surfacing, street cleaning, grounds maintenance and winter maintenance. It is a 25-year PFI Contract with Amey Hallam Highways Limited (Amey), supported by £1.2bn of credits from the Department for Transport (DfT). The services are delivered by a subcontractor, Amey LG which is part of the Ferrovial group.
 - 1.1.2 As part of the continuous review of the services delivered under the Contract, opportunities to improve the efficiency and effectiveness of the service have been identified and therefore we propose to make changes to the Performance Requirements (Schedule 2 of the contract) to reflect this. There are no significant changes to the output specification, but changes have been made to improve interpretation between the council and Amey. A summary is contained in table 1.9.2 and a full tracked changes version in Appendix A.
 - 1.1.3 In addition, we have negotiated with Amey to simplify some aspects of the Payment Mechanism, (Schedule 4 of the contract) making the contract commercially more sustainable. The proposed changes will help to incentivise Amey to embed service quality improvements and secure the Council a significant reduction to the Annual Unitary Charge.
- 1.2 The Proposed Amendments to the Payment Mechanism**
- 1.3 Application of Single Performance Requirement**
 - 1.3.1 Currently, failure or poor delivery can mean not meeting more than one Performance Requirement and attracting multiple deductions for the same event. The proposal is that only the highest deduction would apply.
- 1.4 Ratchet Multiplier**
 - 1.4.1 To overcome the current risk of large unforeseen one-off deductions, changes to the operation of the Ratchet are proposed. Lowering the multiplier ratio provides a more sustainable solution but retains the incentive for the contractor to rectify the failing(s) and stop multiple occurrences.
 - 1.4.2 It is also proposed that the Ratchet will not apply to the support function elements of the Performance Requirements, such as management information systems and Customer Service. This is to distinguish between the output from the contractor that does not directly affect the integrity and functionality of the highway network and the performance requirements that are about the physical condition of the network.
- 1.5 Monthly Performance Cap**
 - 1.5.1 The introduction of a new performance cap for the application of Performance Requirements and subsequent adjustments to the monthly payment is proposed.

1.5.2 As an additional safeguard for the Council the cap will be subject to an escalation process whereby it will increase if there is consistent poor performance which exceeds the cap.

1.5.3 In addition, the level of potential deductions may be lowered if the contractor delivers consistent good performance. The objective of any performance mechanism is corrective and not punitive. These concepts work in tangent to provide the incentive to ensure good performance.

1.6 Winter Maintenance

1.6.1 Due to the critical dependency of effective winter maintenance for the city to function, through the winter period (Oct- Mar), the performance cap is elevated. This reflects the critical nature and essential timely delivery of this element of the service provided by the contractor.

1.7 Highway Emergencies

1.7.1 The immediate response parts of the service delivery by contractor, defined as Highways Emergencies being performance requirements 1.1 – 1.9 inclusive are outside of the proposals and shall continue to operate unchanged in accordance with the existing Payment Mechanism.

1.8 Termination

1.8.1 The methodology of calculating termination remains as per the original contract terms and Payment Mechanism. The calculation of Service Points as the mechanic does not change in line with the proposals detailed in this report.

1.9 Proposed amendments to the Performance Requirements

1.9.1 Appendix A shows the track changes made to the Performance Requirements across Schedule 2. Predominantly the changes are to improve the definition of the requirement or response and or timescales for delivery to minimise interpretation issues between the parties going forward.

1.9.2 Summary Table of Changes to Performance Requirements

Service Standard & Scope	Number of requirements with amendments	Number of requirements with changes to Service Points	Additional information
1.General	19	14	
2.Carriageways and Footways	4	0	Removal of x1 service requirement
3.Structures	4	0	Removal of x1 service requirement
4.Streetlighting & Signs	n/a	n/a	n/a

5. Traffic Signals, Control Infrastructure and & Intelligent Transport Systems	n/a	n/a	n/a
6. Grounds Maintenance	6	3	
7. Winter Maintenance	1	0	
8. Street Cleaning	n/a	n/a	n/a
9. Miscellaneous Assets	n/a	n/a	n/a
10. Strategic Assistance	1	0	

1.9.3 The Service Points are redacted as commercially sensitive information from our publication of the Streets Ahead contract. Please see Appendix B.

2. HOW DOES THIS DECISION CONTRIBUTE?

- 2.1 The changes recommend in this report contribute to the 'Being an In touch Organisation' and 'Thriving Neighbourhood and Community' priorities identified in the Council's Corporate Plan 2015 – 2018.
- 2.2 Through reducing the cost to the Council of providing Highway maintenance, without compromising the output specification the council is making the best use of public money to have the greatest impact for Sheffield.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The changes proposed will not have a direct impact to the service delivered by Amey to customers and therefore a public consultation has not been undertaken on this occasion.
- 3.2 As a key stakeholder in the project the Department for Transport have been consulted regarding these proposals.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 There aren't any equality of opportunity implications arising from this report as there are no changes in delivery of services to customers. An Equality Impact Assessment has been completed. [reference number].

4.2 Financial and Commercial Implications

4.2.1 Savings

The proposed changes will result in a significant reduction to the Annual Unitary Charge of £1.7m. This is a saving of £28.9m over the remaining life of the contract.

4.2.2 Cost of change

The legal costs of making the necessary changes to the contract documents are being met by Amey and this includes the costs of the Council's legal advice and time.

4.2.3 Please also see appendix C.

4.3 Legal Implications

4.3.1 The Contract contains a High Value Change mechanism that would allow the proposed changes to be made and the Council has a general power under section 1 of the Localism Act 2011 to do things an individual may generally do (including vary a contract in accordance with its terms) provided, it is not prohibited by other legislation and the power is exercised in accordance with the limitations specified in the Act e.g. around charging for the provision of a service.

4.3.2 If the Contract is changed to a material degree, it may be held that there is, in fact, a new contract, which should have been re-tendered in accordance with the procurement legislation and the resultant contract could be held ineffective. The proposed change in the payment mechanism is not considered to be a material change to the existing contract because there will be no variation to the services to be provided, the contract will still involve a significant proportion of private investment. Amey will not make any additional profit as a result of the change .

4.3.3 The Streets Ahead contract documents are openly published on our website with limited redactions due to commercial sensitivity inline with the provisions of the Environmental Information Regulations and the guidance issued by the Information Commissioners Office.

4.3.4 The Deed of Variation, the updated Performance Requirements (Schedule 2) and Payment Mechanism (Schedule 4) arising from the proposal within this report will, if approved, be published and subject to commercial sensitivity redactions.

4.3.5 Please also see appendix C.

5. **ALTERNATIVE OPTIONS CONSIDERED**

5.1 The alternative to accepting this proposal is do nothing. This would mean the existing Streets Ahead performance requirements would

continue and the performance mechanism would not be amended to make the contract delivery more sustainable.

5.2

Moreover, the Council would not get the benefit of £1.7m reduction in the unitary charge. This saving to the Streets Ahead contract will enable the Council to invest in other front-line services as balancing the budget remains challenging.

6. REASONS FOR RECOMMENDATIONS

6.1 The recommendations to approve the proposals within the report, realise the benefits of a sustainable Streets Ahead contract without any material change to the service delivered but a significant annual financial saving to the Council.

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