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Meeting	Cabinet
Date	29 November 2010
Subject	Development and Regulatory Services Project : Initiation of Procurement
Report of	Cabinet Member for Housing, Planning and Regeneration Cabinet Member for Customer Access and Partnerships
Summary	This report seeks authority to proceed with procurement for a provider to deliver those services within the Development and Regulatory Services project (formerly known as the Development and Public Health project).

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Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Cabinet
Function of	Executive
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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1. RECOMMENDATIONS

- 1.1 That the Commercial Director be authorised to commence the procurement process to identify a strategic partner for the delivery of the Development and Regulatory Services project.**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet, 6 May 2008 (Decision item 5) approved the establishment of the Future Shape of the Organisation¹.
- 2.2 Cabinet, 3 December 2008 (Decision item 5) approved the programme structure for the next phase of the Future Shape programme and that a detailed assessment of the overall model for public service commissioning, design and delivery should be undertaken.
- 2.3 Cabinet, 6 July 2009 (Decision item 5) approved that three principles would be adopted as the strategic basis for making future decisions:
- a new relationship with citizens;
 - a one public sector approach; and
 - a relentless drive for efficiency

It also approved a phased approach to delivering the Future Shape Programme and immediate consolidation of activity in the areas of property, support and transact.

- 2.4 Cabinet, 21 October 2009 (Decision item 8) approved plans to implement the Future Shape programme.
- 2.5 Cabinet, 20 October 2010. In relation to the Financial and Business Planning Report, Cabinet noted the impact of emergency budget, consultation on formula, grant and revised medium term strategy. It also agreed proposals for consultation on budget options and agreed that outcomes be reported to special Cabinet meeting on 13 December 2010.
- 2.6 One Barnet Overview and Scrutiny Panel, 2 February 2010. In relation to the Commissioning, Planning and Regulatory Functions report, which included the original proposals for the PHR services that now form part of the DRS project, the Panel recommended that:
- Detailed consideration should be given to the calculation of overhead costs.
This has been completed and is included in the Use of Resources section of this paper.
 - Consideration should be given to the 'social value' of some of the services provided by the Council.
The project will retain the social value of the services in scope to the level determined by the Council, including any requirements for the Environmental Health department to integrate with and inform the work

¹ The Future Shape programme has been renamed One Barnet Programme. The relevant previous decisions shown refer to meetings held before this change.

of the Director of Public Health. This will form part of the procurement strategy and any supplier appointed will be required to provide them to this level. In addition, the project meets the One Barnet aim of “a new relationship with citizens” in that it seeks to put the citizen and the services’ customers at the centre of its objectives. See section 3 below.

2.7 One Barnet Overview and Scrutiny Panel, 8 June 2010. The Panel requested:

- That a summary of the external legal advice received be made available to them.

Following the panel of 8 June, an options appraisal was commissioned from Impower. As a result of this work the cluster of services in scope has changed. Therefore, the previous legal advice received is now redundant, and advice is being sought on the revised cluster. This will be used to inform the project’s business case, which will be submitted to CRC on 13 January 2011.

- That a list of statutory and non-statutory services within the remit be provided.

This list is dependent upon the legal advice received on the revised cluster (see above).

- That the full business case be presented to the Panel in advance of a decision being taken by Cabinet or CRC.

The business case will be submitted to CRC on 13 January 2011 and the next provisional Panel date is 20 January 2011. Arrangements can be made for simultaneous distribution of the business case to both meetings if required.

2.8 One Barnet Overview and Scrutiny Panel, 11 August 2010. The Panel requested:

- That service level agreements be sufficiently robust to maintain current high service standards.

This has informed the options appraisal process and will be included in the project’s procurement strategy.

- That a full risk register is maintained throughout the life of the project. The risk register has been set up and is maintained by the project manager. It is reviewed by the programme manager and programme level risks are escalated as appropriate.

- That payments to the external contractor should be linked to savings and resident satisfaction levels to ensure that maximum benefit is derived from the preferred option.

The project will use the competitive dialogue process in order to ensure that the most economically advantageous tender is accepted by the Council (see the paragraphs on competitive dialogue in the Background Information section of this report). Payment mechanisms will be determined via the dialogue, and the principles of A Relentless Drive for Efficiency described in section 3 will inform these.

- The Panel also noted that the Council will still be liable if decisions such as planning applications are challenged.

- The Panel expressed concern that savings over and above the identified 20% will need to be achieved and current proposals did not appear sufficiently radical.
The project will help to ensure that PHR and E&O meet their savings targets over the next three years.
- The Panel expressed concern that there will be a lack of qualified officers in the private sector to provide the services.
The ability of any future partner to provide any service to an appropriate level will be checked and tested during the competitive dialogue process.

2.9 One Barnet Overview and Scrutiny Panel, 21 September 2010. The Panel requested:

- The project should provide clear links to the Customer Services Organisation (CSO) proposals.
Dependencies between the projects will be managed by the One Barnet Programme Office. Access arrangements and data sharing protocols as well as other business activities will be set out and agreed through the procurement process.
- Flexibility should be built into the legal agreement.
This will form part of the procurement strategy.
- The legal advice from Eversheds be shared with the Panel at business case.
This legal advice has been superseded. Relevant legal opinion will be built into the business case.
- Due consideration be given to the appropriateness of the services included in the bundle.
It is believed that the revised cluster provides a more attractive package of services to the market and offers good prospects for a renewed citizen relationship. Cabinet will ultimately decide upon the composition of the cluster.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The three priority outcomes set out in the 2010/13 Corporate Plan are:

- Better services with less money;
- Sharing opportunities, sharing responsibilities; and
- A successful London suburb.

The One Barnet Programme has three overarching aims:

- A new relationship with citizens;
- A one public sector approach; and
- A relentless drive for efficiency.

3.2 The proposal to begin the process of selecting a strategic partner for the Development and Regulatory Services project fits within the One Barnet objectives of “a relentless drive for efficiency” and “a new relationship with

citizens”, and therefore supports the programme’s overarching aim of the Council becoming a citizen-centred organisation.

3.3 A New Relationship with Citizens

- 3.4 The project will build on PHR’s successful record of community consultation and engagement in large developments. It will innovate in order to develop this work and extend it to, amongst others, highways projects and small and medium sized developments.
- 3.5 It will strengthen its services’ links to local community forums.
- 3.6 It will link with Central Government’s Big Society initiatives of “giving communities a greater say over their local planning system” and “giving mutuals, co-operatives, charities and social enterprises greater involvement in the running of public services” as required, by retaining the flexibility to accommodate any necessary changes in working practices.
- 3.7 In addition, the project will measure and improve customer satisfaction (both citizen and business customer) with the services provided within the DRS cluster in terms of ease of use, speed of response and transparency in the decision making process. It also aims to become more responsive to changing citizen needs within the Borough and adjust its service offerings accordingly.
- 3.8 The project will build on the Council’s currently successful development, enhancement and protection of the Borough’s built environment, including buildings and roads. Beyond the built infrastructure it will ensure the safety of residents in the Borough’s environment through the provision of services such as Trading Standards and Environmental Health to the level required by the Council. In addition, it will seek to provide necessary services to citizens such as Registration and the Cemetery and Crematorium in an efficient, personable and cost effective way.
- 3.9 The project also seeks to work with a partner to develop new and innovative ways to engage and involve the community in co-delivering some services; for example, the reporting of unsafe or unhygienic business practices.
- 3.10 Whilst the Council will ‘own’ the community engagement and consultation strategy, the project will explore with a partner how these aims could best be achieved in a climate of significant budget cuts from Central Government. It will leverage the new thinking and different ways of doing things that a private sector partner can bring via the competitive dialogue process in order to develop the best solution to achieve these aims.
- 3.11 A Relentless Drive for Efficiency
- 3.12 Whilst the Council will retain ownership of the community engagement and consultation strategy, the project will explore with a private sector partner how these aims could be achieved within the monies available, perhaps by using technology in innovative ways, or by reconfiguring how staff currently work, or through other methods in combination with these.
- 3.13 The project will utilise a private sector partner’s commercial experience in order to maximise the potential revenue from all of the services in the cluster

and capture and return this income in order to further support the maintenance and development of the Borough.

- 3.14 It will capture and maximise the financial, economic and social benefits of big/subregional developments and ensure that these are returned to the Council in order to further support the Borough.

4. RISK MANAGEMENT ISSUES

- 4.1 In order to begin the process of achieving the potential cost savings projected in the options appraisal report during quarter 1 of the financial year 2012/13, the appointment of a partner or supplier should take place by the end of January 2012. In order to undertake such a complex procurement thoroughly and safely, it is usual to allow a 12-14 month timeframe for the procurement process. It is therefore recommended that the Council issues an OJEU notice for this cluster of services by the end of December 2010. This will allow the procurement process sufficient time to complete effectively.
- 4.2 By issuing an OJEU notice the Council is not bound to proceed with any procurement; however if the process is abandoned at final tender stage, there could be a risk of a claim for damages. This risk is mitigated by the planned undertaking of thorough and ongoing reviews of the Council's requirements for and of the services, their income and expenditure, and the changing financial and political landscape in which they are required to operate.
- 4.3 The Council's contract procedure rules state that authorisation is to be sought at Cabinet Committee on contracts with a value of £500,000 and above. This report seeks that authorisation.
- 4.4 The project will seek Cabinet acceptance of any contract to be awarded.
- 4.5 The project will report spend against budget to CRC at the end of each phase of the project in order that Members are fully informed of actual costs to the Council.
- 4.6 It is expected that the Council will begin to realise the benefits of this project from Quarter 2, 2012/13 and that additional financial pressures on the Council during 2010/11 and 2011/12 will be addressed via internal improvement initiatives such as those detailed for the services in scope in the *Financial and Business Planning 2011/12 2013/14* report sent to Cabinet on 20 October 2010. This will mean that the staff profile of services in scope is very likely to change during this period. In order to mitigate the risk that a potential partner is given inaccurate establishment lists of staff the project manager will review the status of the lists with the HR One Barnet business partner and the service directors at key project stages.
- 4.7 As team functions are also likely to change due to financial pressures, the project manager will review any changes with each Head of Service at key project stages.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 It is recognised that such a significant transformation of the services is likely to have an impact upon staff.
- 5.2 It will be necessary to assess the equalities impact of the project on the different groups of people within the Borough, as outlined in the 2010-13 Corporate Plan and work will be undertaken towards this end.
- 5.3 The Council's Equalities policy will be followed in the management of the tender process, including evaluation of tenderers' equalities and diversity policies concerning employment practice and service delivery. Any eventual contract will include explicit requirements fully covering the Council's duties under equalities legislation.
- 5.4 An Equalities Impact Assessment template was presented to the Future Shape Overview and Scrutiny Committee on 21 September 2010 for consideration. The committee welcomed the template and it will be used to assess the impact of service transformation on current staff. This template will be used to assess the equalities impact of the project on staff at key stages throughout the project. The initial assessment will be reported to CRC in January 2011 along with the business case.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 The Spending Review has announced reductions in government support to local authorities of 26% over the next four years. Grant distribution, which has yet to be announced, could result in greater reductions for individual Councils. In response to this challenge, the Council is consulting on potential budget reductions of £46m over the next three years.
- 6.2 For phase 1 OB projects, estimates of savings have been made which are reflected in our financial plans. These are therefore included within the budget reductions currently subject to consultation. Clearly, it has been necessary to make some assumptions regarding savings, but these have been assessed as reasonable and prudent.
- 6.3 The Development and Regulatory Services project savings are estimated as follows:

2011/12	£200,000
2012/13	£430,000
2013/14	£430,000
2014/15	£1,093,000
2015/16	£1,093,000
2016/17	£1,258,750
2017/18	£1,131,250
2018/19	£1,131,250
Total	£5,508,500

- 6.4 These estimates are based on taking savings from the current published budget showing £200,000 of savings in year 2011/12. Additional savings

have been identified in the published budget of £230,000 in 2013/14 making total cumulative savings of £430,000 that year. Between 2014/15 and 2016/17 an allowance has been made for a retained client function/area of spend. There is an estimated 65% of the operating costs where savings could be made. An assumed estimated saving of 10% is allowed for (non-cumulative). Between 2017/18 and 2018/19 it is assumed there could be contract renewal activity or price increases so it is assumed savings can be made against 55% of the original operating costs. Again, an estimated 10% is allowed for (non-cumulative). As the project is progressed these estimates will be amended as necessary and included within our financial planning.

- 6.5 The project’s additional projected price reductions referred to below are in addition to these normal efficiency savings. As the project is progressed through the competitive dialogue process these estimates will be amended as necessary and included within our financial planning.
- 6.6 The revised cluster of services is as follows:

Planning, Housing and Regeneration

- Building Control and Structures (including Street Naming & Numbering)
- Planning (Development Management)
- Strategic Planning
- Regeneration
- Land Charges
- Environmental Health (Residential and Commercial sectors)
- Cemetery & Crematorium

Corporate Services

- Registration of Births, Marriages and Deaths

Environment and Operations

- Trading Standards & Licensing
- Highways Network Management
- Highways Traffic and Development
- Highways Strategy
- Transport and Regeneration

- 6.7 The cost to the Council of external resources for the procurement process is estimated at this stage to be as follows:

Legal Advice	£692,500
Implementation Partner	£650,000
Other,	£18,720
Total	£1,403,225

- 6.8 The project will be funded from the Council’s Transformation Reserve.
- 6.9 Working with a suitable partner will allow the Council to leverage their expertise around the reconfiguration of services. It is envisaged that staff from the E&O and PHR services will work together in a joined up way, and that processes within individual services will be streamlined. It is believed that this

will lead to greater efficiencies in the way the services are delivered, and enhance the customer's experience.

- 6.10 The Council will continue to meet all of its statutory and contractual obligations in regard to change and its impact upon our staff. In the context of One Barnet Programme this means that all internal re-structures will be managed in compliance with the Councils Managing Organisational Change Procedure. Where the change results in a TUPE transfer the Council will meet all of its statutory obligations but it will not provide any enhancement over and above that provided by the Transfer of Undertakings (Protection of Employment) Regulations 2006, Code of Practice and Best Value Authorities Staff Transfers (Pensions) Direction.

7. LEGAL ISSUES

- 7.1 Procurement processes will comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination.
- 7.2 In the event that services are to be externalised, the Council will comply with its legal obligations under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") with respect to the transfer of staff. Where they apply, the Regulations impose information and consultation obligations upon the Council and the incoming contractor and operate to transfer the contracts of employment, of staff employed immediately before a transfer, to the new contractor at the point of transfer of the services.

8. CONSTITUTIONAL POWERS

- 8.1 The Constitution, Part 3, Responsibility for Functions, section 3 – Responsibilities of the Executive.

9 BACKGROUND INFORMATION

9.1 Introduction

- 9.2 In 2009, the One Barnet Transact Group identified a cluster of services deemed to fall outside the core competencies of the Council, and wanted to investigate whether they could be provided more effectively, and for a lower cost, than the current model of service provision. This became known as the Development and Public Health project.
- 9.3 An options appraisal has been carried out for these services in order to determine whether or not particular delivery models could generate service efficiencies for the Council at a lower cost and improve their service to Barnet citizens and other customers. The original services were:
- Building Control and Structures (including Street Naming & Numbering)
 - Planning (Development Management)
 - Land Charges
 - Environmental Health (Residential and Commercial sectors)
 - Public Mortuary and Cemetery & Crematorium
 - Trading Standards & Licensing

- Registration of Births, Marriages and Deaths
- Electoral Registration

9.4 **The Options Appraisal Process**

9.5 The options appraisal process included the following:

- Interviews with key stakeholders, in order to establish at a high level the functions, range, costs, current issues, likely risks to and future ambitions of the services.
- The gathering and analysis of general service and performance data, including: national benchmarking figures (where available), inspection reports, volumetrics (operational data, number of transactions p.a etc) and CIPFA data.
- The gathering and analysis of financial data, including: budget data, the budget Book 10/11, the last two years of outturn, budget assumptions 2011/12 and forecast pressures.
- A commercial analysis and the modelling of the financial implications of the above and the subsequent development of the evaluation model for the services.
- Soft market testing activity (see below)
- Final evaluation of options against an evaluation model, and recommendations.

9.6 A soft market testing exercise was carried out on the original cluster of services. A questionnaire was sent to ten leading organisations in fields related to the service cluster. Eight questionnaires were returned and six organisations were invited to participate in a soft market testing day, where they were asked a range of questions. The participants were given the opportunity to ask questions about its intentions for the cluster.

9.7 The first report was then produced and recommended that the following services be scoped for inclusion.

PHR

- Strategic Planning
- Regeneration

E&O

- Highways Network
- Highways Traffic and Development
- Highways Strategy
- Transport and Regeneration

9.8 This additional scoping work has now been completed.

9.9 **Options Appraisal Original Cluster: Main Findings**

9.10 **Price Reduction**

9.11 The services in the original cluster are currently reasonably high performing and reasonably low cost, but there are opportunities for cost reduction and income growth.

- 9.12 There are some good opportunities for efficiencies in the services, and an efficiency ambition of 10% of overall cost is suggested.
- 9.13 An income growth target of 10% is reasonable and appropriate and relies upon increased income from planned growth in Barnet's infrastructure as well as modest trading returns in the context of a business entity with greater freedom to trade. As income levels are currently 70% of expenditure, a net income increase of 10% affects overall price by a lower amount (7%). Achieving this level of income gain requires an investment in commercial capability.
- 9.14 Savings and extra income could achieve a financial benefit (taking into account expenditure and income) to the Council of 15-20%, equating to up to £2.5m a year. Balancing this benefit are costs, namely one off procurement costs (estimated external costs) and retained client costs, as follows:

	Costs and benefits
Procurement cost	£2m
10 year retained client cost	£7m
10 year financial benefit	£25m
Net 10 year benefit	£16m

- 9.15 This price reduction does not take into account service level reductions or a traded revenue / income sharing arrangement. The business case will include an assessment of income sharing / revenue sharing mechanisms and the potential for service level reduction. This will provide the basis for the 'top up' of financial benefits.
- 9.16 Service Transformation
- 9.17 The options appraisal found that the key metrics used to judge service performance were severely limited, and did not address the Council's vision for them in terms of their transformation into a joined-up environmental, regulation, design and management service based around the citizen.
- 9.18 It recognised that the agenda for change concerns transformation as measured by Barnet citizens, business, communities and the third sector rather than national benchmarks and targets. This will raise price and quality questions which will need to be further investigated.
- 9.19 Market Soundings
- 9.20 The level of interest shown during the soft market testing exercise suggests a strong level of market interest. Given the size of the bundle and the relative immaturity of the market in these services, the level of interest is strong as opposed to very strong – some of the services in the bundle are relatively new to the strategic partnering market and the market will therefore be more cautious in its approach. There is sufficiently strong market interest to generate a healthy and competitive procurement.
- 9.21 The market will need to know how the Customer Services Organisation and Support Services will interact with this project.
- 9.22 A larger bundle of services would strengthen market interest as the services are relatively new to the market. As such, the Council will benefit from the use of other means to maintain interest and attractiveness and size of deal is one

of the best means of doing so.

9.23 Recommended Market Option

9.24 The market options considered were:

- Joint Venture (JV). This term can describe a range of different commercial arrangements between two or more separate entities. Each party contributes resources to the venture and a new business is created in which the parties collaborate together and share the risks and benefits.
- Status Quo Plus. A status quo plus option requires the necessary skills, knowledge, financial resources and capacity to deliver a major change programme. Typically, organisations identify specific funding sources to service investment, and use secondment arrangements or backfilling to allow key staff to be dedicated to the change programme.
- Incremental Partnership. If an organisation identifies a wide scope of services in need of improvement/efficiency gain, but recognises that it cannot deliver transformation itself, it can contract initially for a small scope of services, with the option to increase the scope over time if the provider meets all performance and partnership measures within the arrangement. The organisation would continue to deliver small scale improvements in non-transferred services pending a decision to increase the scope of the partnership. Service delivery and commercial risk is passed to the partner for all transferred services.
- Shared Services. Shared Services refers to the provision of a service by one organisation or group where that service had previously been found in more than one. It combines and streamlines functions to ensure they are delivered as effectively and efficiently as possible to the participating organisations. For example, two or more public sector organisations may collaborate to develop a shared solution, sometimes with external funding.
- Consulting Led. An organisation may engage a “consulting partner” to support the design and development of a major transformation programme. Implementation is usually undertaken by the organisation, although they may be supported by the consultant in project management, procurement of solutions, and change management. The consulting partner shares some risk up to the point of business case sign off, but implementation risk rests with the organisation.
- Local Authority Private Trading Arm. A local authority private trading arm is a private company newly created or bought by a local authority. It may be wholly owned by the authority or may be part of a joint venture. There are a number of legal, competition and procurement issues to consider however this model can provide the authority with a greater ability to exploit commercial opportunities and to operate in a more entrepreneurial way.
- Strategic Partnership. This model is similar to outsourcing in terms of service and risk transfer, but the relationship with the partner is equally focussed at delivering wider aspirational targets, e.g. regeneration

(physical and economic), shared services, place shaping support, job creation, etc.

- Management Buy Out. The management buy out option involves existing service management, potentially in conjunction with a private sector partner, forming a private sector company to take over operation of the service(s).

9.25 Key stakeholders were consulted in order to discuss how the Council would evaluate potential service delivery options. The following key criteria and weightings were identified as being the most important when evaluating the appropriateness of potential service delivery models:

Agreed criteria	Agreed weighting	Rationale and alignment to Future Shape objectives
Price		The potential to reduce delivery costs (in the short term). The ability to generate enhanced or new income streams in the medium term. The avoidance of significant investment by LBB to meet short or medium term price benefits.
Flexibility and Risk		The potential to adapt within reason any contract or arrangement without undue cost for LBB. Also the ability of the Council to transfer risk effectively.
Performance		The potential to increase performance by transforming service delivery and introducing innovations to the services.
Citizens and Stakeholders		The potential to improve citizen experience and satisfaction levels by transforming service delivery and introducing innovations to the services.
Pace		Potential for timely implementation and rapid benefits realisation.

9.26 In the scoring matrix below the scores are derived as follows:

- All scores are on a scale of 1 – 5, where 1 represents the least desirable outcome and 5 the most advantageous. For example, a ‘Price’ score of 5 would be for a very low cost option and/or high income option, whilst a ‘Flexibility & Risk’ score of 5 would be for highly flexible and low risk option.
- The review team as a group carried out the scoring based on the evaluation criteria descriptions and our understanding of the different models. Reasoning behind the main points of the scoring approach taken is provided in the ‘Scoring Narrative’ below. The scores have been reviewed in draft with a number of senior stakeholders from the Council.
- The scores had the weighting applied as shown in the criteria above and a final weighted score for each option calculated, as shown in the ‘Weighted Total’ column below.

	Price		Flexibility and Risk		Performance		Citizens & Stakeholders		Pace		Weighted Total
	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	Score	Weighted score	
Private sector joint venture											↑
Status quo plus											
Incremental partnership											
Shared services											
Consulting led											
LA private trading arm											
Strategic partnership											
Management buy out											

9.27 It is clear from the appraisal that the services in scope, when taken together, have performed well in recent years. Many are medium to low cost and medium to high performing. But it is also very clear that the services require a fresh injection of intellectual capital, investment, commercial skills, tools and business models to take the next steps in transformation. Moreover, retention of the services in-house acts as a hamstring for commercialisation and income growth.

9.28 The options appraisal recommended that the market option most likely to deliver the transformation and price changes needed is a strategic partnership with the private sector. Such a partnership might include an income or revenue sharing mechanism to incentivise trading growth.

9.29 There are a variety of 'middle ground' options such as a local authority company (with some private sector involvement) or joint venture.

9.30 Review of the Cluster of Services

9.31 The options appraisal recommended that the Public Mortuary and Electoral Registration be removed from the original cluster.

9.32 In order to fit with the Council's vision of an environmental regulation and design suite, the options appraisal recommended the inclusion of highways regulatory and management services. It also recommended the inclusion of strategic planning and regeneration as much of their activity has a strong connection with the other services in scope. It recommends a 'thin' retained 'place shaping' function at Barnet's commissioning core.

9.33 Cemeteries and Crematoria has been the subject of a separate options

appraisal that reviewed its future as a stand alone service, rather than as a member of a cluster. The project options appraisal recommended that it should be included within scope and tested with the market. It would occupy a slightly different status in the procurement – whilst it would be included in the bundle, participants would be invited to consider whether or not they wanted to bid for it. The Council would then be in a better position to judge whether benefits could be achieved via a partnership option. Whilst the service is earning high levels of income, a partnership option could increase the net gain to the Council further if it were able to bring in the significant investment that is required. This increased revenue potential would add considerably to market appetite for the bundle. It is possible that a prime bidder may partner with a specialist organisation for the provision of this service – if this were the case it would be necessary for the Council to explore what synergy this brings and to ensure that it does not lead the bidder applying ‘margin on margin’ which would add to the price.

- 9.34 Although Registration Services (births, deaths and marriages) are not perfect fit with the service type in the bundle, the options appraisal recommended that they be included as they would provide additional market attractiveness. The commercial and transactional elements of the service do have a strong fit with other services.

9.35 **Options Appraisal Additional Cluster: Main Findings**

- 9.36 The potential for realising financial benefits specifically from this secondary cluster of services is limited. However, any lower prospects for income growth will be balanced by improvements from the economies of scale offered from the total service cluster.
- 9.37 Highways services appear low cost compared to average, but there is scope for performing closer to the best-in-class. Services are performing at an average level relative to peers, indicating that general performance could be improved. Despite this, the key metrics used to judge performance (national indicators) are relatively limited, are cross-departmental, and predominantly focus on road safety and maintenance. Therefore a conservative savings target of 12- 15% for these services is prudent at this stage, and further analysis would be required to understand the extent to which this could be stretched. The gearing of income to expenditure is lower for these services than for the services already part of the options appraisal – which accounts for the slightly lower price target proposed. Nonetheless, the growth in Barnet’s built environment and the ambition for DPHS income growth as a whole have been taken into account.
- 9.38 The process of completing the business case (currently in progress) will result in a more detailed and comprehensive price analysis with the full range of services in scope. Although the target price for the services within these additional areas of service is slightly lower, it is not expected that this will have a significant impact on the overall price ambition of 15-20% saving.

- 9.39 The increased scope does offer a more holistic environmental regulatory cluster than hitherto – the additional services fit well with the substantive scope and offer better prospects for a renewed citizen relationship.
- 9.40 The price and performance conclusions are sufficiently consistent with the substantive scope to offer the same level of target savings at this stage of analysis. The substantive options appraisal performed is not challenged by the additional scope of services.
- 9.41 The increased size of the cluster will offer a more attractive package of services to the market, and the Council should proceed to integrate the additional scope into the cluster to be the subject of procurement; as per the recommendations of the substantive report.

9.42 **The Competitive Dialogue Process**

9.43 Competitive dialogue is a procurement procedure for "particularly complex projects". It may be used where the Council is not able to objectively set out technical solutions and/or the legal framework and/or the financial make-up of a project. It should be used to enable a dialogue with bidders directly with the aim of developing one or more suitable alternative solutions.

9.44 Competitive dialogue has the following key features:-

- Dialogue is allowed with selected suppliers to identify and define solutions to meet the needs and requirements of the Council
- The award is made only on the basis of the most economically advantageous criteria
- Dialogue may be conducted in successive stages with the aim of reducing the number of solutions/bidders
- There are explicit rules on post tender discussion

9.45 The purpose of the dialogue phase is to allow the Council to discuss with participants their solutions whilst identifying and defining the best means by which to satisfy Barnet's requirements. The procedure results in the remaining participants submitting a final tender to the Council which once submitted can only be "clarified, specified and fine tuned".

9.46 In its guidance published in 2008, the Office of Government Commerce (OGC) states that competitive dialogue can be used for particularly complex contracts where at the outset any contracting authorities:

- “- are not objectively able to define the technical means (...) capable of satisfying their needs or objectives; and/or
- are not objectively able to specify the legal and/or financial make-up of the project”.

9.47 The project is inherently complex. Its aims are to reconfigure and improve the DRS services around the customer or citizen and support and develop the Borough, whilst at the same time absorbing significant budget cuts from Central Government. In addition, it is bringing to market a cluster of services that has no simple or clear precedent of the best solution for its delivery within a radical organisational and political programme of change – One Barnet.

9.48 The project is therefore currently unable to specify how it will achieve its aims (what technical means it will use). In order to resolve this it will utilise the private sector's commercial experience, expertise and ideas via the competitive dialogue process in order to determine how its aims will be achieved in the most economically advantageous way.

9.49 **Conclusions and Next Steps**

9.50 Based on these findings, we propose to bring together the following functions into an environmental management, regulatory and design function, and seek a partnership with the private sector.

Planning, Housing and Regeneration

- Building Control and Structures (including Street Naming & Numbering)
- Planning (Development Management)
- Strategic Planning
- Regeneration
- Land Charges
- Environmental Health (Residential and Commercial sectors)
- Cemetery & Crematorium

Corporate Services

- Registration of Births, Marriages and Deaths

Environment and Operations

- Trading Standards & Licensing
- Highways Network Management
- Highways Traffic and Development
- Highways Strategy
- Transport and Regeneration

In terms of the creation of new environments or the upgrading of existing ones, the inclusion of the highways teams fits well with PHR's planning, building control and regeneration functions. The regulatory and other place-based services (e.g. Trading Standards) maintain the quality of this environment for Barnet residents and visitors.

9.51 Officers recognise the pressing need for budget reductions in the current political climate and remain committed to delivering high levels of service to our citizens and other customers. In order to begin this process, and separately from this project, Environment and Operations and the non-housing divisions of Planning, Housing and Regeneration will be undergoing a consolidation in order to meet the services' budget reduction requirements for 2011/12. Work will be undertaken to improve the customer journey, inform initial service improvements and find efficiency savings.

9.52 If the authority to proceed to procurement is granted, next steps on the project are as follows:

- OJEU Notice placed 13 December 2010
- Business Case and Equalities Impact Assessment presented to CRC 13 January 2011

- Pending approval of the Business Case, competitive dialogue begins during March 2011.

10. LIST OF BACKGROUND PAPERS

- 10.1 Development & Public Health Services (DPHS) Project: Options Appraisal Report, For public issue
- 10.2 Development & Public Health Services (DPHS) Project: Addendum to the Options Appraisal Report. To be read in conjunction with the Options Appraisal Report
- 10.3 Any person who wishes to inspect these documents should telephone 020 8359 4529

Legal: MAM
CFO: CM