

	<h2>Environment Committee</h2> <h3>15<sup>th</sup> March 2017</h3>
<p style="text-align: center;"><b>Title</b></p>	<p><b>Street Scene Alternative Delivery Model – Revised Outline Business Case (OBC2)</b></p>
<p style="text-align: center;"><b>Report of</b></p>	<p>Commissioning Director for Environment</p>
<p style="text-align: center;"><b>Wards</b></p>	<p>All</p>
<p style="text-align: center;"><b>Status</b></p>	<p>Public</p>
<p style="text-align: center;"><b>Urgent</b></p>	<p>No</p>
<p style="text-align: center;"><b>Key</b></p>	<p>Yes</p>
<p style="text-align: center;"><b>Enclosures</b></p>	<p>Appendix A – Revised Outline Business Case (OBC2)  Appendix B – Consultation and Engagement Report  Appendix C – Revised Initial Service User EIA  Appendix D – Revised Initial Staff EIA</p>
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## Summary

This report sets out the options for the future delivery of Street Scene services, specifically; recycling and waste collection, street cleansing, green spaces maintenance, and green spaces governance.

On 29 September 2016, Environment Committee approved an initial outline business case which recommended pursuing a shortlist of four options (from an initial long list of seven) for further consideration. These included; to continue in-house service delivery with management support from The Barnet Group, all service delivery being transferred to The Barnet Group, outsource to an external provider(s), or to share services with a neighbouring local authority.

Further work has been done to review the short listed options and examine their respective benefits, risks, opportunities and ability to contribute to the Environment Committees MTFS targets. This includes public consultation and staff engagement activity, from the week commencing 07 November to the week ending 15 January. Staff and public were consulted on the project aims, assessment criteria, and shortlisted options. The opportunity was also

the provided to comment on the longlisted options which were not recommended. During this process consideration has been given to i) value for money, ii) place-based service, iii) technology and innovation, iv) income generation, v) continual service improvement, and vi) track record. Any service provider would also have to be capable of achieving the savings agreed by Environment Committee in the Medium Term Finance Strategy (MTFS).

## **Recommendations**

- 1. That Environment Committee approves the transfer of Green Spaces Governance (Lot 4) to the Environment Commissioning Group, to be re-structured and aligned to the delivery of the Parks and Open Spaces Strategy and the Capital Investment Programme.**
- 2. That Environment Committee consider and decide on the course of action for the Street Scene Delivery Unit services for; recycling and waste, street cleansing, and green spaces maintenance (Lots 1-3) from the following options (further outline in Section 2):**
  - Option A - In-house (with management support from The Barnet Group): To transform Street Scene services with management support from The Barnet Group. Services to be re-structured and re-directed from 01 April 2017.**
  - Option B - Local Authority Trading Company (The Barnet Group): To transfer Street Scene services to The Barnet Group (or a subsidiary of) on 01 October 2017 for an initial ten-year contract with a three-year break clause; including the TUPE transfer of all staff in scope.**
  - Option C - Outsourced: To outsource Street Scene services to a specialist provider(s) via the procurement of a contract(s) for the delivery of; recycling and waste, street cleansing, and green spaces maintenance (Lots 1-3).**
- 3. That Environment Committee approves a course of action from one of the options set out in Section 2 and subsequently delegates the authority to proceed with delivery to the Commissioning Director for Environment.**

### **1. WHY THIS REPORT IS NEEDED**

#### Background

- 1.1 In September 2015, the council commissioned the Street Scene Alternative Delivery Model project (ADM) to assess the best way of delivering Street Scene services in the future. Its purpose was both to ensure the future delivery of high performance against key strategic indicators, and to resolve the significant savings challenges facing services now and over the next several years.
- 1.2 The council has a statutory duty to maintain the urban environment and support public health via services such as; recycling and waste, street cleansing, and maintenance of green spaces. These are universal services which are highly visible to, and used by, residents

- 1.3 As part of the Medium-Term Finance Strategy approved by Environment Committee in November 2015, and an updated version approved in November 2016 by Policy and Resources Committee, a target saving of £900k by 2019/20 has been allocated to the ADM process.
- 1.4 Additionally, the project must maintain the current recycling and waste, street cleansing, and maintenance of parks and open spaces service provision as expressed through the key drivers below; in line with the Commissioning Group intentions for 2020:
- Re-use, recycle or compost 50% of all municipal waste and minimise the amount of municipal waste being sent to landfill.
  - Provide services to residents and businesses that are cost effective, easy to use, and encourage positive behaviour change.
  - Manage and maintain a high quality physical environment that contributes to the quality of life of residents and visitors, enhances local areas, and supports a thriving local economy.
  - Work with partners to secure investment in public spaces.
  - Implement relevant delivery models that deliver a stable and sustainable financial position.
  - Build stronger local communities by promoting volunteering and other forms of community engagement.
  - Relevant and targeted enforcement that promotes prevention of forms of anti-social behaviour.
- 1.5 As part of the Street Scene Alternative Delivery Model Revised Outline Business Case (OBC2) in Appendix A, most activities currently delivered by the Street Scene Delivery Unit are in scope of the ADM project. This includes recycling and waste, grounds maintenance, and street cleansing. Services undertaken by partners (such as CSG or Re), as well as those which are classed as being 'strategic' and therefore sit with the Commissioning Group, are considered to be out of scope.
- 1.6 This has enabled the project board to identify four possible "lots" in relation to the services identified as being in scope of the ADM. These are:
- Lot 1 – Recycling and Waste
  - Lot 2 – Street Cleansing
  - Lot 3 – Green Spaces Maintenance
  - Lot 4 – Green Spaces Governance
- 1.7 On 01 November 2016 Full Council approved the initial outline business case which reduced the longer list of seven options down to a shortlist for further consideration; to continue in-house service delivery with management support from The Barnet Group, all service delivery being transferred to The Barnet

Group, outsource to an external provider(s), or to share services with a neighbouring local authority.

### Revised Outline Business Case (OBC2)

1.8 The Street Scene Alternative Delivery Model Revised Outline Business Case (OBC2) can be seen in Appendix A.

1.9 OBC2 fully outlines the evaluation carried out on the four options approved by Full Council for further consideration on 01 November 2016. These include:

- **Option A:** In-house option (with management support from The Barnet Group)
- **Option B:** Local Authority Trading Company (The Barnet Group)
- **Option C:** Outsourced
- **Option D:** Shared service

Each of these three options contain benefits, risk and challenges in different areas, as highlighted in the table below:

Option	Cost vs. Savings	Place-based Service	Technology and Innovation	Income Generation	Service Improvement	Track Record
In-house	A	G	R	A	A	A
LATC	A	G	A	G	A	R
Outsourced	G	R	G	A	A	G

### Cost Summary

1.10 Two different cost review methods were used to assess the financial implications of the four shortlisted options. The table below summarises the approaches used. The full detail of these evaluation processes can be seen in Appendix A, section 3.

Options		Review Method
<b>Option A</b>	In-house (with management support from The Barnet Group)	Options evaluated by council officers and specialists.
<b>Option B</b>	Local Authority Trading Company (The Barnet Group)	
<b>Option C</b>	Outsourced	Benchmarking with other local authorities through in-depth discussion and review.
<b>Option D</b>	Shared Service	

1.11 To enable the financial evaluation of Options A and B, affordability criteria were set. These affordability criteria were indicative of the maximum cost budget estimated for the in-house options; including MTFS savings.

	2017/18	2018/19	2019/20
Affordability Criteria	£12,139,994	£11,089,994	£9,889,994
<b>Option A:</b> In-house (with TBG)	£12,612,726	£12,284,168	£10,499,059
<b>Variation</b>	<b>-£472,732</b>	<b>-£1,194,174</b>	<b>-£609,065</b>
<b>Option B:</b> LATC (TBG)	£12,012,726	£11,047,668	9,200,059
<b>Variation</b>	<b>£127,268</b>	<b>£42,326</b>	<b>£689,935</b>

1.12 To enable the financial evaluation of Options C and D, benchmarking with other local authorities through in-depth discussion and review was used. This approach focused on the management and organisation savings which could be made. These are comparable with the £900k Medium-Term Finance Strategy approved by Environment Committee

	Est. Cost	Potential Savings	Variation
2016/17 Level – Current Service	£13,636,969	Needed £900,000	-
<b>Option C:</b> Outsourced Medium range savings (14%)	£11,727,793	<b>£1,909,176</b>	<b>£1,009,176</b>
<b>Option D:</b> Shared service Medium range savings (7.5%)	£12,614,196	<b>£1,022,773</b>	<b>£122,733</b>

1.13 In addition to these savings, based on management, operations efficient and alignment, changes to policy-driven services based on the MTFS could also be achieved

#### Public Consultation and Staff Engagement

1.14 An online public consultation was held on the options put forward in OBC2 for a ten-week period; from the week commencing 07 November 2016 to the week ending 15 January 2017. The detailed results of the public consultation are available in Appendix B to this report.

- 1.15 Staff were provided with hard copies of a shortened version of the online public consultation questionnaire. Staff were also encouraged to view the full public consultation via Engage Barnet. Staff engagement activity ran in parallel to the public consultation; from the week commencing 07 November 2016 to the week ending 15 January 2017. The detailed results of the staff engagement are also available in Appendix B to this report.
- 1.16 The public consultation was responded to by 506 individuals. Overall, the majority of respondents agreed with the aims of the ADM. The results show that the aim respondents agreed with the most was *'to identify opportunities to improve services'*; with 92% saying that they agreed or strongly agreed. The aim respondents agreed with the least was *'to achieve council savings targets'*; with only 45% saying that they strongly agreed and 24% saying that they disagreed, or strongly disagreed.
- 1.17 Respondents were asked to indicate how important they believed each of the assessment criteria for the ADM to be; with options ranging from *'very important'* to *'not at all important'*. The criteria deemed to be the most important were; *'continual service improvement'*, *'good local knowledge'*, and *'ability to provide value for money'*.
- 1.18 Respondents were also asked to choose, from the shortlist, the option that they believed would deliver the best services for them. The results are summarised in the table below:

Shortlisted Options	Response Totals	Response %
In-house (with management support from The Barnet Group)	222	55%
Local Authority Trading Company (The Barnet Group)	141	35%
Outsourced	25	6%
Shared Service	81	20%
Don't know / Not sure / No difference	26	7%

- 1.19 Staff Respondents were also asked to choose, from the shortlist, the option that they believed would deliver the best services for them. The results are summarised in the table below:

Shortlisted Options	Response Totals	Response %
In-house (with management support from The Barnet Group)	16	64%
Local Authority Trading Company (The Barnet Group)	13	52%
Outsourced	2	8%
Shared Service	3	12%

Shortlisted Options	Response Totals	Response %
Don't know / Not sure / No difference	1	4%

1.20 The full consultation report can be accessed in Appendix B.

## 2. REASONS FOR RECOMMENDATIONS

2.1 **Recommendation 1** - It is recommended that Environment Committee approves the transfer of green spaces governance (Lot 4) to the Environment Commissioning Group. This will enable the team to be to be restructured and aligned to the delivery of the Parks and Open Spaces Strategy and the Capital Investment Programme.

2.2 **Recommendation 2** - It is recommended that Environment Committee considers and decides on a course of action for the delivery of Street Scene services for recycling and waste, street cleansing and green spaces maintenance (Lots 1-3) from the following options:

- **Option A: In-house (with management support from The Barnet Group)** – To transform Street Scene services with management support provided by The Barnet Group. Services to be restructured and redirected from 01 April 2017.
- **Option B: Local Authority Trading Company (The Barnet Group)** – To transfer Street Scene services to The Barnet Group (or subsidiary of) on 01 October 2017 for an initial ten-year contract with a three-year break clause; including the TUPE transfer of all staff within scope.
- **Option C: Outsourced** – To outsource Street Scene services to specialist providers via the procurement of a contract(s) for the delivery of recycling and waste, street cleansing and green spaces maintenance (Lots 1-3).

2.3 **Recommendation 3** – That Environment Committee approves a course of action from one of the options set out in above and subsequently delegates the authority to proceed with delivery to the Commissioning Director for Environment.

## 3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 Consideration was given to retaining green spaces governance (Lot 4) and green spaces maintenance (Lot 3) as a single service lot. However, this is not recommended as an option going forward.
- 3.2 Four options were evaluated as part of OBC2. Consideration was given to the shared service option but due to the lack of current partners it was considered that this would not deliver a sustainable service within the required timescales.

#### **4. POST DECISION IMPLEMENTATION**

- 4.1 The approach will be determined by the decision made by Environment Committee on which option to progress.
- 4.2 It is likely that all options will result in the production of a Full Business Case (FBC) before the project can proceed to delivery. As part of the process of developing an FBC, due consideration will be given to the results of the public consultation and staff engagement activity, as set out in Appendix B.
- 4.3 If Option C (outsourced) is selected by Members, authorisation will be needed from Environment Committee to proceed with a procurement exercise to identify a third party supplier(s), in order to inform the Full Business Case for this option.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Environment strategies and frameworks set out the strategic vision and future demand management for Recycling and Waste, Parks and Open Spaces, Street Cleansing and Enforcement. The Alternative Delivery Model project will serve as a vehicle for delivering this vision at the operational level. The strategies will therefore shape the service requirements of the Alternative Delivery Model.

##### Recycling and Waste

- 5.1.2 Barnet has amongst the highest levels of recycling and the lowest levels of waste compared with similar councils. This results in high levels of resident satisfaction and maintains the green and clean nature of the borough.

##### Street Cleansing

- 5.1.3 Barnet has amongst the lowest levels of littering compared with similar councils. This results in high levels of resident satisfaction and maintains the green and clean nature of the borough.

##### Parks and Open Spaces

- 5.1.4 It is a Commissioning Group ambition that Barnet is seen as a national leader

in developing attractive suburban parks with its communities that promote health and wellbeing, conserve the natural character of the area, and encourage economic growth. There are approximately 224 parks or open spaces in Barnet, including; 7 nature reserves, the Welsh Harp reservoir, 8 outdoor gyms, and over 40 play areas. Most homes in the borough are within one mile of the nearest park.

5.1.5 The council has also made a strategic commitment to enhancing borough infrastructure, as outlined in the Commissioning Plan for Environment (2015-20).

## 5.2 Health and Wellbeing

5.2.1 There are no health and wellbeing implications at this time.

## 5.3 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

### Finance and Value for Money

5.3.1 The ADM project has been assigned a total Medium-Term Finance Strategy (MTFS) savings of £900k by 2019/20. This is divided into £250k by 2017/18, £550k by 2018/19 and £100k by 2019/20. There are also additional MTFS savings outside of the ADM project, for the wider Street Scene programme, of £1,245k by 2017/18, £575k 2018/19, and £1,150k by 2019/20.

5.3.2 It is anticipated that these savings will be achieved through the transformation of Street Scene services, in line with delivering the respective action plans for each of the environmental strategies.

5.3.3 If any new additional costs are generated by transformation, these would need to have appropriate funding sources; identified either on a one-off or recurring basis.

### Procurement

5.3.4 Procurement implications exist for all of the options for lots 1-3.

### Staffing

5.3.5 A robust approach to change management is currently in place, following the approval of the change management strategy for Street Scene by Strategic Partnership Board on 20 April 2016.

5.3.6 The strategy is currently being implemented by The Barnet Group. Engagement with staff, trade unions, and other senior stakeholders is ongoing.

5.3.7 Staff engagement activities include (but are not limited to):

- Survey
- Briefings
- Newsletter
- Change champions network
- Suggestion boxes

5.3.8 This approach applies to all areas of Street Scene where change management is required; not just the ADM project (e.g. Unified Reward, Mill Hill Depot relocation).

## IT

5.3.9 The Alternative Delivery Model would need to incorporate any changes to use of IT as part of wider service delivery across the council. This is also in line with one of the assessment criteria for the ADM, which requires evidence of innovation within service delivery; making best use of existing and new technologies as available. The ADM would therefore need to be consistent with, if not better than, council IT policy and best practice.

## Property

5.3.10 The implementation of the Alternative Delivery Model is operationally dependent on the relocation of the depot facilities. Any delay, or unforeseen amendment, to the depot relocation will not only have a subsequent impact on day-to-day service delivery operations ('business as usual') but could also impact the delivery of the ADM (e.g. additional fuel costs, route rationalisation etc.).

## Sustainability

5.3.11 There are no sustainability impacts at this time

## 5.4 **Social Value**

5.4.1 Section 1 (3) of the Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. This is being considered as part of the ADM process

## 5.5 **Legal and Constitutional References**

5.5.1 The Council's Constitution (Clause 15A, Responsibility for Functions, Annex A) sets out the terms of reference of the Environment Committee. This includes:

- Commissioning refuse and recycling, waste minimisation and street cleaning.
- Approve any non-statutory plan or strategy within the remit of the Committee that is not reserved to Full Council or Policy and Resources Committee.
- Approve fees and charges for those areas under the remit of the Committee

5.5.2 This matter is not reserved to Full Council or to the Policy and Resources Committee as the Constitution specifically allocates matters of this type to the Environment Committee.

- 5.5.3 Depending on the outcome of the alternative delivery model project the final decision is one for Full Council under paragraph 1.6 of section 15 of the constitution responsibility for functions; “*all policy matters and new proposals relating to significant partnerships with external agencies and local authority companies*”.
- 5.5.4 Section 3 (1) of the Local Government Act 1999 requires local authorities to make arrangement to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. Section 3 (2) of the Local Government Act 1999 also provides that in order to fulfil this duty it must consult with representatives of persons liable to pay tax to the Authority and representatives of persons who use or are likely to use services provided by the Authority. In deciding on the persons consulted and the form, content and timing of consultation the must have regard to the Revised Best Value Statutory Guidance 2015.
- 5.5.5 The Public Contracts Regulations 2015 exempt from the application of public procurement law certain contracts between contracting authorities and entities controlled by them provided certain conditions are satisfied. These are:
- The contracting authority exercises over the contractor concerned a control which is similar to that which it exercises over its own departments.
  - More than 80% of the activities of the contractor are carried out in the performance of tasks entrusted to it by the controlling contracting authority.
  - There is no private sector ownership of the contractor (with certain exceptions).
- 5.5.6 Officers will need to ensure appropriate due diligence is carried out to ensure compliance with each of the Teckal conditions. It is understood that The Barnet Group is a company wholly owned by the council EU Procurement Rules are likely to apply if the envisaged arrangements do not meet the Teckal exception.
- 5.5.7 If at any time the proposals under either Option A or Option B envisage either the council or The Barnet Group, trading (not recharging) a local authority ordinary function (or anything in exercise of the General Power of Competence), the council will need to put together and approve a Business case under section 95 of the Local Government Act 2003 and the 2009 Trading Order England unless the trading is with another public body. Further, all income generating options will need to be identified in order to assess the availability of the council’s ability to use its trading or recharging legal powers. Proposals which will result in changes to service delivery including charging, will need to be agreed internally (scheme of delegation and any special governance structure for the wholly owned company) and may require public consultation.

## 5.6 Risk Management

5.6.1 All project risks are managed using the risk management procedure, as set out by the Corporate Risk Management Framework.

5.6.2 A full project risks table is available in the revised Business Case (OBC2), in Appendix A.

## 5.7 Equalities and Diversity

5.7.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010.
- Advance equality of opportunity between people from different groups.
- Foster good relations between people from different groups.

5.7.2 The broad purpose of this duty is to integrate considerations of equality into day business and keep them under review in decision making, the design of policies, and the delivery of services. The impact of the ADM project on staff and the public is not known at this stage. The content of both EIAs is therefore predictive only.

5.7.3 The nine protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Ethnicity
- Religion or belief
- Gender
- Sexual orientation
- Marriage or civil partnership

5.7.4 The complete updated Equalities Impact Assessments (EIAs) for both service users and staff are available in Appendices C and D, respectively.

5.7.5 As the project moves into the next phase, the EIAs will be reviewed and updated in line with project requirements and in accordance with Barnet project management methodology. It is expected that the revised EIAs will show the actual scale and type of impact of the chosen delivery model option on both staff and service users.

## 5.8 Consultation and Engagement

5.8.1 As a matter of public law, the duty to consult on proposals which may vary, reduce or withdraw services will arise in four circumstances:

- Where there is a statutory requirement in the relevant legislative framework.
- Where the practice has been to consult or where a policy document states the council will consult then the council must comply with its own practice or policy.
- Where the matter is so important that there is a legitimate expectation of consultation.
- Where consultation is required to complete an equalities impact assessment.

5.8.2 A full consultation report can be seen in Appendix B.

## **6. BACKGROUND PAPERS**

- 6.1 The Environment strategies and frameworks set out the strategic vision and future demand management for Recycling and Waste, Parks and Open Spaces, Street Cleansing and Enforcement. The ADM project will serve as a vehicle for delivering this vision at the operational level.
- 6.2 [Environment Committee September 2016 Papers](#) – including the initial Outline Business Case (OBC1) for the Street Scene Alternative Delivery Model project.
- 6.3 [Environment Committee March 2016 Papers](#) – including Commercial Waste Transformation and Street Scene Enforcement.
- 6.4 [Environment Committee May 2016 Papers](#) – including the Parks and Open Spaces Strategy, and the Municipal Waste Management Strategy.
- 6.5 [Environment Committee July 2016 Papers](#) – including the Street Cleansing Framework.