

# London Borough of Barnet

## Environmental Service Options Appraisal: Stage Two Summary findings

### Appendix C

3 October 2012

# Executive summary

The table below sets out the scores achieved by the options appraised during Stage 2. These slides set out the approach and evaluation criteria applied. The rationale for the scores is detailed for each option in the appendix to this document.

Option	Description	Confidence (Savings)	Adjusted saving (£)*	A relentless drive for efficiency	One Public Sector approach	New relationship with customers	Total out of 50
1	Outsource	90%	2,401,845	29	3	11.25	43.25
2	In-house stretch with support	80%	2,247,230	26.25	4	11.75	42
3	Outsource post in-house improvement	90%	2,207,130	25	3.5	11	39.5
4	Shared Outsource	70%	2,051,318	25.25	2.75	11.25	39.25
5	In-house stretch delivered by a mutual	60%	1,685,636	18.5	3.25	13	34.75
6	Current in-house MTFS with additional support	90%	1,697,173	19.25	4	9.75	33

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# Introduction

- This report details the options appraisal for 'Environment & Street Scene' services.
- In scope for this review are:
  - Refuse, organic waste and recycling collections
  - Waste strategy
  - Street cleansing
  - Green spaces
  - Highways operational team
- This presentation outlines the six options that were identified in stage one for further appraisal. It also outlines the evaluation criteria and scoring approach for stage two, derived from the One Barnet Principles. This presentation details the evaluation of each option.

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# Stage one of the options appraisal

Phase one considered the following options for the future delivery of services. The options have been grouped by design; the sub-options reflect how the model could be delivered and were evaluated as separate options.

Model Design	Sub-option
1. In House Model – based on current service plans	1a. Delivered by in house team
	1b. Delivered with additional transformational support
	1c. Delivered through a mutual
2. In House Model developed to stretch savings targets.	2a. Delivered by in house team
	2b. Delivered with additional transformational support
	2c. Delivered through a mutual
3. Split service- retain split with Waste and Recycling, Green Spaces, Highways and Street Cleansing	3a. Delivered with another borough
	3b. Delivered with a private company (part outsource)
4. Shared Service	4a. Delivered in house with another Borough (Harrow)
	4b. Shared procurement only, separate outsourced contract
	4c. Shared service delivered through outsourcing. (Brent)
5. Outsource	5a. Full outsource, straight away
	5b. Outsource following in house improvement

# Stage one - top options

Project Board determined that any option that scored more highly than the current in house MTFs model would proceed to Stage Two of the evaluation. These were:

- Outsource
- Outsource - post in house improvement
- Shared - outsourced
- In House stretch – with support
- Current In House MTFs with additional support
- In House stretch delivered by a mutual

# Evaluation criteria

- The evaluation criteria signed off by project board were developed in light of the One Barnet principles.
  - A relentless drive for efficiency
  - A one public sector approach
  - A new relationship with citizens

*One public sector approach refers to the local public sector environment within Barnet*

- Our evaluation has been weighted by confidence in the delivery of savings and the overall risk of each model has also been taken into account.
- The criteria are consistent from Stage 1 to 2. In Stage 2 the balance shifts from a heavier emphasis on financial targets (based on the need to achieve the MTFS) to reflect the importance of service performance, customer satisfaction, and achievement of Barnet Super Outcomes.
- The following slides detail these criteria.

# Stage two evaluation criteria (1)

One Barnet Principle	Weighting	Theme
A Relentless drive for efficiency	50%	<p><b>PRICE</b>            What is the scale of efficiency available?            What is the potential for income generation for the Council?</p>
	5%	<p><b>INVESTMENT</b>            What opportunities are there for up front, external investment which will secure long term financial gain or service improvement?</p>
	5%	<p><b>RISK TRANSFER AND GUARANTEE OF DELIVERY</b>            To what extent is the risk of delivering target outcomes transferred away from the council?            How confident is the council in delivery of the desired outcomes through the option?</p>
A One Public Sector Approach	5%	<p><b>PACE OF SERVICE TRANSFORMATION</b>            How quickly can the desired outcomes be delivered?</p>
	5%	<p><b>FLEXIBILITY AND SUSTAINABILITY</b>            How will the option adapt and change to cope with changing local environments, demand, policy changes and potential future budget cuts?            To what extent will the option deliver an integrated street scene service that is fit for purpose and examines service efficiencies for a mixed area based approach</p>

# Stage two evaluation criteria (2)

One Barnet Principles	Weighting	Theme
A New Relationship with Citizens	5%	<p>POTENTIAL FOR STAFF INCENTIVISATION</p> <ul style="list-style-type: none"> <li>To what extent will the option result in employee behaviours and attitudes to produce an enhanced and innovative service which delivers further savings or income.</li> <li>How does the option impact staff engagement and what is the impact on delivery of customer satisfaction, service enhancement, service innovation, savings, income generation, Innovation?</li> </ul>
	10%	<p>PERFORMANCE</p> <p>To what extent will the option demonstrate an improvement in performance to include:</p> <ul style="list-style-type: none"> <li>An increase in recycling levels and reduction in residual waste?</li> <li>Achieve a 100% success rate in clearing litter accumulations within 24hrs and removing graffiti from town centres served by town keepers within one working day?</li> </ul>
	10%	<p>CITIZEN FOCUS</p> <p>What will be the impact on resident satisfaction?</p> <p>To what extent can the option increase community engagement and thus create wider local benefits e.g. greater community control of local parks, links to community coaches, apprenticeship schemes?</p> <p>To what extent can the option provide a customer focused service delivery model where the front-line service are also providers of customer intelligence?</p> <p>To what extent can the option improve citizen behaviours with regards to generation of residual waste and recycling?</p>
	5%	<p>SUPER OUTCOMES</p> <p>To what extent can the option enables the right environment to promote economic growth, development and success?</p> <p>To what extent can the option provides Barnet as a place where residents choose to live, work and play, that is clean and green ?</p>

# Stage 2 scores

Option	Description	Confidence (Savings)	Adjusted saving (£)*	A relentless drive for efficiency	One Public Sector approach	New relationship with customers	Total out of 50
1	Outsource	90%	2,401,845	29	3	11.25	43.25
2	In-house stretch with support	80%	2,247,230	26.25	4	11.75	42
3	Outsource post in-house improvement	90%	2,207,130	25	3.5	11	39.5
4	Shared Outsource	70%	2,051,318	25.25	2.75	11.25	39.25
5	In-house stretch delivered by a mutual	60%	1,685,636	18.5	3.25	13	34.75
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## Stage 2 scores - analysis

- Given the high weighting given to price and the application of a confidence factor to savings calculations the outsourced options have all scored more highly than the in-house options.
- The assumed benefits of greater economies of scale through a shared outsource model has resulted in this scoring most highly.
- Of the in-house solutions, the stretch option with additional transformation resource scores most highly. This is 1.25 points behind the outsource model and delivers 6.4% less savings.
- No differences in service quality have been assumed for the various supply options.
- The full detail of the evaluation of these options is explained in more detail in the additional appendix to this pack.

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# Stage two evaluation – background information

- The following slides summarise the evidence base for the appraisal of the six options.
- It should be noted that we have not evaluated the ‘current in-house model, MTFs approach’ as this will be addressed and evaluated within the business case as part of the case for change. Those options which are to be evaluated all represent an improvement on this option in stage one evaluation.
- At this stage of the process all options and scores have been reviewed by the Project Board and moderated in response through a series of 1:1 meetings which took place in advance of the August Project Board. Meetings were held with the Project Sponsor, Finance, Procurement, HR as well as the service Director and Assistant Director.

# Financial summary: stage 2 options

Option	Total cost reduction (13/14 - 20/21)	Total income increase (13/14 - 20/21)	Total cost of change	Total financial benefit	Confidence Level	Adjusted total financial benefit	Adjusted average annual financial benefit	Score (out of 25)
Outsource	20,595,194	1,355,653	541,000	21,409,847	90%	19,214,762	2,401,845	25.00
In-house stretch with support	21,405,509	1,555,540	391,000	22,570,049	80%	17,977,839	2,247,230	23.25
Outsource post in-house improvement	18,886,720	1,555,549	741,000	19,701,269	90%	17,657,042	2,207,130	23.00
Shared Outsource	23,342,650	1,302,416	841,000	23,804,066	70%	16,410,546	2,051,318	21.25
In-house stretch delivered by a mutual	21,741,249	1,552,229	491,000	22,802,478	60%	13,485,087	1,685,636	17.50
Current in-house MTFS with additional support	14,893,567	515,745	291,000	15,118,312	90%	13,577,381	1,697,173	17.50

- This table outlines the anticipated yearly savings that have been adjusted to take in to consideration confidence levels and investment over 8 years (to fit with a likely seven year contract with at least one year lead in in outsourced).
- The score reflects the level of savings available, maximum savings equate to a score of 25 out of 25.
- Each option is supported by a financial model, the key assumptions for each are set out overleaf.

# Key assumptions within financial model

Option	Service area	Assumption
Shared outsource	Service costs	<p>Efficiencies waste &amp; recycling will be in-line with target MTFS savings plus additional 3% efficiencies + additional 2% shared mgmt costs etc</p> <p>Assumed Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%) + 3% shared mgmt costs etc</p> <p>Green space 10% saving In line with soft market testing</p> <p>Assumed 10% increase in Income could be achieved from trade waste, street cleansing, green space and 5% in highways</p> <p>Highways 10% savings in line with soft market testing</p> <p>Expectation that savings achieved in joint contract will favour Brent, confidence level of 90%</p> <p>Assume 80% of MTFS savings for 13/14</p>
	Change costs	<p>Refuse collections stay weekly</p> <p>Current agreed project budget plus procurement costs (assumes £1m,(more complex, greater in size, more time on development of joint specification) across 4 boroughs.</p>
	Support costs	<p>Also requirement for a PM and some Barnet specific advice (£50K), with 10% contingency</p> <p>Assumed this will be lower due to shared element</p>
Full outsource	Service costs	<p>Efficiencies will be in-line with target MTFS savings plus additional 3% efficiencies/income generation</p> <p>90% Confidence Level that savings will be made</p> <p>Refuse collections stay weekly</p> <p>Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%)</p> <p>10% efficiencies in Green spaces</p> <p>Assumed 10% increase in Income could be achieved from trade waste, street cleansing, green space and 5% in highways</p> <p>10% efficiencies in Highways</p> <p>Assume 80% of MTFS savings for 13/14</p>
	Change costs Support costs	<p>Current agreed project budget £191k + transformation support £480k</p> <p>12/13 Expenditure budget + 11/12 recharges x 8%.</p> <p>Retained client of 2.5%</p>
Full outsource post in house improvement	Service costs	<p>Efficiencies will be in-line with target MTFS savings plus additional 3% efficiencies/income generation</p> <p>80% Confidence Level that savings will be made during In-house years rising to 90%</p> <p>Refuse collections stay weekly</p> <p>Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%)</p> <p>10% efficiencies in Green spaces</p> <p>10% efficiencies in Highways</p> <p>Assumed 10% increase in Income could be achieved from trade waste, street cleansing, green space and 5% in highways</p>
	Change costs Support costs	<p>Current agreed project budget £191k + transformation support £480k</p> <p>12/13 Expenditure budget + 11/12 recharges x 8%.</p> <p>Retained client of 2.5%</p>
In house stretch with support	Service costs	<p>Waste &amp; Recycling efficiencies will be in-line with target MTFS savings for 13/14 (6%) &amp; 14/15 (11%) + additional 3%</p> <p>80% Confidence Level that savings will be made</p> <p>Refuse collections stay weekly</p> <p>Assumed 10% increase in Income could be achieved from trade waste, street cleansing, green space and 5% in highways</p> <p>Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%) + additional 5%</p> <p>Identification of potential additional savings (5%) in green space</p> <p>Assumed 5% efficiencies in highways</p>
	Change costs Support costs	<p>Current agreed project budget £191k + transformation support £200k</p> <p>12/13 Expenditure budget + 11/12 recharges x 8%.</p>

# Key assumptions within financial model

Option	Service area	Assumption
Current in house MTFS with additional support	Service costs	<p>Waste &amp; Recycling efficiencies will be in-line with target MTFS savings for 13/14 (6%) &amp; 14/15 (11%)            90% Confidence Level that savings will be made            Refuse collections stay weekly            Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%)            90% Confidence Level that savings will be made            5% Fee increase for Sports grounds &amp; Parks for events            Allotments - No income increase            Tree Management brought in-house April 2014</p>
	Change costs Support costs	<p>Current agreed project budget £191k + transformation support £100k            12/13 Expenditure budget + 11/12 recharges x 8%.</p>
In house stretch with mutual	Service costs	<p>Waste &amp; Recycling efficiencies will be in-line with target MTFS savings for 13/14 (6%) &amp; 14/15 (11%) + additional 3%            70% Confidence Level that savings will be made increasing to 80% future years            Refuse collections stay weekly            Street Cleansing efficiencies will be in-line with target MTFS savings for 13/14 (5%) + additional 5%            Assumed 5% increase in Income could be achieved in street cleansing and green spaces            Allotments - No income increase            Identification of potential additional savings (5%) in green space            Assumed 5% increase in Income could be achieved &amp; 5% efficiencies in highways</p>
	Change costs Support costs	<p>Current agreed project budget £191k + transformation support £200k            12/13 Expenditure budget + 11/12 recharges x 8%.</p>