PLACE AND SUSTAINABILITY COMMITTEE

11 FEBRUARY 2014

PLACE SHAPING PROGRAMME COMMISSIONING PRIORITY 1

REPORT BY THE DIRECTOR OF PLACE

SUMMARY

This report recommends the re-commissioning of a range of environment services in the Place Directorate, following consideration through the Council's commissioning process.

This is one of five priorities within the Place-Shaping programme in the Place Directorate. The report describes the process through which the project has progressed, and the main findings which have led to the recommendations.

The costs and benefits of the recommended actions are set out and the report also indicates the next steps and timescales.

Action proposed by the Lead Member for Sustainability and Sport

It is recommended that:

1. The Committee agrees the outsourcing of car park management to an external provider, and the joint reprocurement of the on street parking contract with LB Sutton.

2. The Director of Place and the Director of Finance be authorised to put in place arrangements for the respective procurement arrangements arising from i), in consultation with the Lead Member for Sustainability and Sport; and

3. The business case for re-commissioning of the remaining services within scope to be presented to this Committee for agreement in the autumn of 2014 at the latest.

Reason for action proposed

To enable the re-commissioning of services in line with the Council’s approach to commissioning.

Background

1. The vision for Kingston is to be the best possible place to live, work, and visit; to be the destination of choice; and one that offers an easily identifiable experience for every corner of the Borough – it’s a great place to be for free. A vision which is derived from the Council’s medium term service and financial plan – Destination Kingston.

2. In order for us to deliver this vision we have established a programme (the ‘Place Shaping programme’) covering a range of activity, which primarily focusses upon the Council’s commissioning framework. This programme is one of five Priority work
streams and is a re-commissioning project for a range of services that are currently provided within the Environment and Planning & Transport service areas. The report recommends a commissioning approach for a range of services.

3. The services in scope are:

- Regulatory Services (Environmental Health, Trading Standards, Licensing)
- Parking Services (on Street and Off Street)
- Street Services (Street Scene and Highways Asset)
- Traffic Management & Design

4. The programme’s objectives are:

- A (significant) contribution to bridging the budget gap from 2015/16 onwards
- The retention of customer satisfaction (including responsiveness) and performance within a reduced budget.
- Stronger service resilience

5. The project has followed the Council’s commissioning framework and has completed the following stages:

- Needs Analysis – this stage considered the services’ current performance, including residents’ and users’ satisfaction.
- Soft Market Testing – this stage included the issuing of a Prior Information Notification (PIN), to which organisations who were capable of delivering all or some of these services responded. A questionnaire was sent to them, and fourteen organisations were interviewed to gain market intelligence.
- Options Appraisal – this stage considered seven models of service delivery (stage 1), and further refined this to two main options (stage 2). The process was rigorous and included a scoring system for the evaluation of options. A number of officers completed the scoring independently of each other.
- Stakeholder Engagement – this stage gained views on the options flowing from the options appraisal. Stakeholders included residents, service users, leading Members, staff and significant external stakeholders e.g. Transport for London, Kingston First and a range of local voluntary sector organisations.

6. The commissioning process evaluated the two options that have emerged from this process. It includes an analysis by the Director of Finance of the financial information gathered in the earlier stages of the project, to produce as accurate as possible an assessment of the likely costs and benefits at this stage in the commissioning process.

7. The stakeholder engagement has guided the recommendations, and led to a further refinement of the options.

**Proposal**

8. The options appraisal evaluated seven models of service delivery, and narrowed down the options arising from this to two overall options. These have been evaluated in the light of the commissioning process.

Option A – This option externalised all services in scope through a single partnership contract.
Option B – This option treated each service individually, rather than in one package. Option B1 deals with regulatory services, and would establish a shared service for them, with Sutton. Option B2 dealt with Parking Services, and would externalise the Council’s car park management service. Option B3 dealt with Street Services and Traffic Management & Design, including on-street parking enforcement, and sought to externalise them in one package. Option B4 would establish elements of Traffic Management & Design as a ‘centre of excellence’, and consider a local authority trading company or a mutual. A sub option of the last two was to explore a shared client side for these services.

9. The commissioning process also worked up the implications of continuing with the current model of service delivery, with service redesign. This was found to not meet the programme’s three objectives, as the requisite level of savings would not be achieved, services would need to be reduced and resilience could not be achieved.

10. Option A delivered higher savings than option B. However, it also had higher risks than option B.

11. The views expressed in the stakeholder engagement process have been incorporated into the evaluation process. These views focussed on five issues:

- Potential loss of successful current arrangements, many of which were seen as working well for partner agencies, residents, service users and members, especially where there was direct contact with Council officers.
- The fear of externalising these services: the loss of valued relationships and communications (responsiveness), and their replacement with a private sector company, whose focus would be profit-making rather than the satisfaction of residents and the Council client.
- Unlike the other services in scope, parking externalisation did not attract such negative views, and there was a degree of support for this proposal.
- Some support for shared services, viewing this option as providing some of the benefits of externalisation without the loss of the benefits of the current in-house arrangements and belief that economies of scale could be delivered, and joint procurement of already externalised contracts would reduce procurement costs.
- Strong views were expressed about the retention of the Neighbourhood Ranger service ‘in house’. It was felt that this service’s strong links with the Neighbourhood Managers and with members and the public, and its highly localised nature meant that a different approach was needed.

12. These views, expressed by a wide variety of stakeholders, do not change the findings of the options appraisal. They were considered as part of the evaluation of the options against the programme’s objectives.

13. The analysis revealed a strong preference for an immediate move to an externalisation of the Council’s car park management service and to jointly retender the existing on-street parking enforcement contract with the London Borough of Sutton. This meets the programme’s objectives. It will achieve savings and increase service resilience, and are therefore recommended in this report. The more detailed business case behind this recommendation is set out at Annex 1 with further detail contained in the exempt part of the agenda.
14. The analysis (including stakeholder engagement) also revealed that further work is required on some of the options for the remaining services within scope, particularly in respect of those relating to shared services. Not all of the shared service options (Option B) meet the programme’s objectives to the same extent as option A. Savings would be significantly less, and although service resilience would be improved, this would not be to the same extent as with externalisation options.

15. It is therefore recommended that agreement in principle is given to the recommissioning of the remaining services in scope, and that further work is done to provide a full business case to this Committee in Autumn 2014. This will include consideration of shared services and clienting arrangements.

Methodology

16. This proposal recommends prioritising the proposals which have the best prospect of generating early and significant savings – car parking and on-street parking enforcement; and a two stage approach to the remaining services – agreement in principle now to their recommissioning and the subsequent consideration of a full business case in the autumn.

Timescale

17. If the recommissioning of the remaining services is agreed at this stage, a full business case will be brought to the Committee in Autumn 2014. The timescales beyond this point are determined by the procurement routes chosen, but approximately 12 months would be needed to reach conclusions on most procurement routes.

18. The re-tendering of on-street parking enforcement will be achieved by competitive dialogue in time for the break point in the Council’s existing contract in 2016, and will also form part of the full business case. It may be possible to do this by jointly procuring with LB Sutton, or if Sutton have already procured in 2015, joining Sutton’s contract after its first year.

19. Car Park Management will be externalised through the competitive dialogue process, and will also form part of the full business case. The target for full implementation is April 2015.

Financial Implications

20. The Director of Finance has carried out an appraisal of the financial information gathered at the earlier stages of the programme, and produced the most accurate costs and benefits figures possible at this stage in the commissioning process. At this stage, a number of assumptions have had to be made about savings and costs. It is too early in the process to be able to provide a meaningful assessment. This will be modelled at the full business case stage.

21. For comparison purposes an analysis has also been produced showing the financial implications of reducing the current service model to meet statutory requirements only. This option is considered not to be viable because although financial savings may be achieved, many valued services and functions would be ceased.
22. In summary Option A maximises financial benefit in the medium to long term for the Council, although there is a higher level of risk of contractor failure. Financial benefit has been balanced against risk. There are clearly significant financial benefits to be derived through offering a large high value contract out to the market that will attract competitive bids and bring in private investment to RBK services. Option B offers a reduced financial benefit because a smaller bundle of services is less attractive to an external provider and so contractors are less willing to invest in such arrangements. However, Option B is considered to generate a lower risk through other methods such as shared services, but with a potentially longer lead-in time.

23. The proposal to progress with the externalisation of the car parks service immediately is supported by the business case which is appended. This indicates that savings can be maximised by progressing this proposal now. For on-street parking enforcement, it is recommended at this stage to retender the existing contract. The other related services – signs and lines and ICT, both of which have a client within the Council for a service which is contracted out, and notice processing, which is an in-house service – will be considered in more detail in the report to this committee in the Autumn. These would achieve significant savings.

24. In relation to the remainder of the services in scope, it is recommended to consider a full business case in the autumn to ensure that a considered view can be taken of the options after further work has been done. The proposal to relocate the Neighbourhood Rangers is contingent on the outcome of the agreed options on Street Services commissioning.

Legal Implications

25. The South London Legal Partnership has commented that it will be necessary to ensure that both the statutory procurement process and the Council’s Contract Standing Orders are complied with.

Risk Assessment

26. In summary, the risks of option A are higher than Option B. Option A is a relatively new service model, and the providers able to respond to such a contract have relatively limited experience of delivering some services, especially Regulatory, and in some cases, Parking services. Option B on the other hand, follows a commissioning model which RBK are already successfully using – shared services, externalisation of services in smaller packages, and arms-length companies.

Equality Impact Assessment Applications

27. Equalities issues have been taken into consideration throughout the programme, which has benefitted from the advice of the Council’s equalities advisor. Forms A and B of the EQIA were completed at needs analysis stage as part of the analysis of resident and user needs. The programme manager met representatives of voluntary organisations during the stakeholder engagement stage and consulted individual organisations, whose views were taken into account in drawing up the business case.

28. Form B is attached to this report at Annex 2. While stakeholders were encouraged by being consulted at this early stage in the programme, they acknowledged that the
most significant point at which their views would impact would be at procurement stage and in particular the drawing up of specifications.

Environmental Implications

29. At this stage in the commissioning process, it is not possible to fully evaluate the options from an environmental point of view. The location of staff and offices will be an issue at procurement stage, as will proposals from the private sector in relation to car parks management. The environmental implications of the options can be assessed in more detail at the next stage in the procurement process when the Council’s environmental policies will be reflected in the specifications for services.

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- Priority 1 Programme Brief
- Priority 1 Needs analysis
- Priority 1 Soft Market Testing – E
- Priority 1 Options Appraisal