Transact Group

Remit of Transact Group

The remit of the Future Shape Transact Group was to identify those Council services that were deemed not to be a core competence or part of the value chain of the Council, and, where appropriate, to seek to find alternative delivery models to provide these services.

The whole range of services which the Council provides was in scope from the outset. This ranged from street cleaning to educational services and from housing services to business processing functions such as Council Tax. The only services considered out of scope were support services and property services/facilities management as these were being considered by the future shape support and property groups.

Where are we now? Baseline

Currently a large proportion of Council services are delivered in-house compared to some other comparable local authorities; the only notable exception being Adult Social Services where the council largely operates as a service commissioner.

In the current climate there are several factors that point toward the Council adopting a minimalist position and providing services only where there is a clear strategic imperative (i.e. where the service is central to the organisations purpose and could not be entrusted to anyone else) or where the market place is incapable of delivering comparable levels of service, cost or continuous improvement. One of these factors is the changing role of local government with a performance and inspection regime moving away from judging Council performance (CPA) to focussing on the outcomes the Council and its partners are achieving for their area (CAA). With this new agenda, the leadership capacity of the Council to pay attention to running services as well as shaping the strategy for public services across the Borough is limited. Furthermore, linked to this, the unique competence of local government is understanding and championing the needs of its community rather that directly delivering services. When the market place has demonstrated equivalent capability to deliver services, continuing to provide them in-house may actually obscure this unique competence of local government. There are a number of examples of services that historically local government provided before handing them over to other organisations. These include, for example, water, gas and electricity services and health care.

Furthermore, while the current delivery models are seen to be operating effectively in most areas, there is a risk that the performance of services will begin to diminish as budgets are inevitably cut further at a time when demand for services continues to rise. This could have a negative impact on both customer satisfaction and community outcomes. There is limited potential without considerable service redesign to deliver significant further savings in the majority of services. Furthermore, in a number of areas the Council does not have the commercial expertise to exploit opportunities and build capacity. Where it does, each annual budget cycle and efficiency drive is potentially reducing funding for specialist expertise such as environmental based technical and professional officers. In other areas, the Council is failing to benefit from economies of scale from joining with other providers in the public, voluntary and private sectors.

Within the public sector funding environment new delivery models are therefore required to:

- Deliver better outcomes for the citizens of Barnet by working more effectively with partners through a one public sector approach

- Raise performance through third party and particularly private sector business innovation
- Deliver efficiencies through economies of scale and service transformation
- Create sustainable specialist pools of expertise that can be shared and funded over a sustained period
- Free up the council to focus on its strategic and place leadership role as well as partnership building
- Generate additional income by optimising current fee earning services and by identifying new traded services opportunities.

To identify potential opportunities for new delivery models, a filtering and funnelling assessment model was used by the group to identify whether each service:

- was core to the Council (i.e. a corporate priority and at the heart of local authority business and residents involvement)?
- was part of the value chain of services? (delivers integrative benefits)
- could be delivered by someone else? (i.e. cannot be delivered by a third party in terms of transactional services)

The group refined this shortened list in the following two sessions by conducting further filtering and assessment exercises that included service prioritisation, a readiness assessment and a review of existing delivery models in operation.

Where do we want to be?

The assessment of services showed there is significant potential over the next three years, including some quick wins in the next 18 months, to meet these outcomes by focusing on a number of alternative delivery models for prioritised council services. We are recommending a *waved* approach to developing alternative delivery models which takes account of where services are currently, the maturity of the provider market and the potential benefits available. Services recommended for these waves, and the potential efficiencies and income generation opportunities available from new delivery models are shown below:

Wave	Potential Efficiency Saving (£'000)	Income generating potential where applicable (£'000)
Wave 1		
Transport Services	466 – 699 (10 -15% of total current costs)	
Bundle 1 - Street scene Service considered in scope: Engineering services and highways maintenance Street cleaning Street enforcement CCTV Parking Grounds maintenance Tree management Public conveniences All other E&T services (excl. transport or waste/recycling).	1,051 – 1501 (7 – 10% of total current costs)	100 - 500
Bundle 2 - Environmental development and regulatory services - Service considered in scope: Trading Standards and Licensing Environmental Health & Pest Control Building Control Planning Enforcement and Processing Land Searches Public mortuary	35 – 71 (5-10% of total current costs)	115 - 200
School catering	105 (100% of total current costs)	200 - 400
Registrars service	Savings not quantified at this stage	

Wave	Potential Efficiency Saving (£'000)	Income generating potential where applicable (£'000)
Residential care (in-house provision)	521 – 781 (10-15% of total current costs)	
Home care (new contractual arrangements for existing outsourced provision)	983 – 1475 (8 – 12% of total current costs)	
Wave 2		
Council tax, benefits and rates (this could also include financial assessment activity and income collection being undertaken in Adult Social Care)	311 – 466 (10-15% of total current costs)	
Bundle 3 - All Housing services Service considered in scope: Housing services Housing stock Housing management (currently Barnet Homes)	Savings not quantified at this stage	
Allotments	Savings not quantified at this stage	
Bundle 4 - Refuse and recycling	491 – 701 (7-10% of total current costs)	

Further information is contained in appendix 2.

The following section sets out the Transact Group's rationale for focusing on these particular services for wave 1 and 2 and seeks authority to explore specific service delivery options as part of the business case development.

Services/ bundles	**Rationale**
Cemetery and crematorium	A business case has already been developed to partner with a management provider the Hendon cemetery and crematorium service. This was approved in principle by Cabinet, subject to a procurement review on 23 April 2009. This could therefore be the first Future Shape Transact Wave 1 service subject to final approval.
Bundle 1: Street scene	• Opportunities for more effective and efficient service delivery through the integration of 'street' services • The private sector may be able to more effectively exploit the income generating potential of certain street scene services such as parking • Efficiencies from economies of scale in working with an organisation already providing services to other local authorities • Increased investment in street scene services by seeking out alternative funding streams and working in partnership with a private sector provider • There is a mature market in this area and a number of organisations who will have more expertise and skills in transforming these services through process, people and technology improvement. • By going out to market on an all-embracing street scene service bundle rather than smaller bundles the council will have the ability to respond coherently to the public's aspirations through more co-ordinated and integrated services delivery. In addition, the market should respond more competitively to a larger Council offering.
Transport Services This covers transport for vulnerable children and adults as well as fleet services.	• Transport Services accounts for a significant amount of council spending (some in-house provision, some outsourced) particularly for Adult Social Services and Children's Services. Demand is likely to increase in this area due to demographic changes and changes to existing provision (e.g. creation of polyclinics) • There is considerable potential to deliver transport services with local partners to maximise capacity and benefit from improved procurement deals, e.g. with PCT and Middlesex University • Co-delivery of transport services with a commercial partner on behalf of a number of partners would allow economies of scale of the transport infrastructure and assets, would allow for the rationalisation of routes, enable better management of service peaks and troughs etc.
Bundle 2: Environmental Development & Regulatory Services	• A lot of the services in the environmental development and regulatory services bundle (e.g. pest control, public mortuary) are not a core competence of the Council as they operate as highly specialist services for discrete clients and as trading services are not part of the value chain. Some E&D services could fall within the value chain or provide cross cutting integrative benefits with council core business, (e.g. planning and development) • A number of these services have consistency undergone annual budget cuts. The potential to drive further efficiencies from the existing model of delivery is therefore limited. A new nimble, responsive and commercially focussed model is needed to exploit further efficiencies • Investment would be (at minimum) maintained in statutory services from bundling them with income generating services (e.g. environmental health) to ensure the Council continues to

Services/ bundles	Rationale
	operate services at minimum requirements • Alternative models would be able to more effectively exploit income generating potential particularly opportunities beyond existing local authority boundaries (building control is the only service which is currently doing this) • Efficiencies would be achieved from bundling services, working with an organisation already providing these services to other local authorities and/or delivering services in partnership with other Councils • There is a mature market in a number of these areas and the council may benefit from a number of third party organisations who will have more expertise and skills in transforming these services through process, people and technology improvement • Shared risks through a joint venture with the private sector or a shared service with other local authorities. This could provide a viable and effective vehicle by which these services could be bundled, deliver integrated service benefits and be appropriately managed whilst recognising that final liability and accountability and therefore risk remain ultimately with the council. More ambitious ventures could reduce the financial risks of investment particularly with private funding partners, e.g. PSCIP
School catering	• There is a mature market in this area - most local authorities do not provide an in-house school catering service and private sector partners will be better placed to drive value for the service. • School catering was assessed as not being a core competence of the organisation or part of the value chain. As a direct deliverer of school catering, management time is diverted away from the core business of Children's Services. A new model would free up strategic capacity in this service • Reduced risk — the local authority will be able to transfer the risk of delivery to the contractor and will have commercial levers by which to protect service performance.
Registrars (births, deaths and marriages)	• The service would benefit from a more entrepreneurial approach, particularly around marriages where there is scope to grow the council's income base. • There are a number of other local authorities e.g., Brent, who have a better performing service than Barnet and provide more extensive services to the public. Barnet would benefit by drawing on expertise of high performing services from elsewhere. • The registrars service is not a core competence of the organisation or part of the value chain • Economies of scale through shared infrastructure and delivery costs should be achieved by consolidating a number of these small low added value services.
Residential Care	• Residential care provision is not a core competence of the organisation. Residential care providers are likely to have greater expertise and experience than council staff in running these services and access to better deals in procuring staff and services. This is likely to result in a more efficient service • All other residential provision in adult social services is currently outsourced. Consequently there is a limited business case for keeping provision in-house • Frees up strategic capacity in this area – this currently diverts management time and resources
Commissioning of Home Care	• Significant amount of money spent in this area (the annual expenditure against these contracts is approximately £13m) • Provision is moving away from block contracts to individual commissioning which will fundamentally change the nature of the contracts – any new contracts will be focussed on based on outcomes • Current Home Care contracts with 13 different organisations are due for renewal in August 2010
Council tax, rate collection and benefits	• While council tax, rate collection and benefits is core to the business of the council, the processing elements of this service is not a core competence of the organisation or part of the value chain • Efficiencies would be achieved from working with an organisation already providing these services to other local authorities and/or delivering services in partnership with other Councils. • Frees up strategic capacity to focus on performance of contract, particularly ensuring collection rates increase • Private sector investment, innovation and rationalised and low cost processing experience should improve existing performance. • Reduced risk — the local authority will be able to transfer the risk of delivery to the contractor and will have commercial levers by which to protect service performance.
Bundle 3: Refuse and recycling	• The Council already outsources its recycling contract. By separating recycling from refuse the council is not fully exploiting efficiencies from economies of scale and joining up services. For example Serco and Restormal BC are using the 'One Pass' initiative' to collect recyclable and non recyclable refuse in a single visit meaning there is no longer a need for multiple collection vehicles, thereby reducing congestion, air pollution and collection costs • Frees up strategic capacity in this area by consolidating contract management and strategic management requirements.

Services/ bundles	Rationale
	• Reduced risk — the local authority will be able to transfer the risk of delivery to the contractor and will have commercial levers by which to protect service performance.
Bundle 4: Housing services	• The current arrangements, with responsibilities split between the ALMO and Housing Services in the Council have created a more in-efficient model with some duplication in roles and responsibilities • Economies of scale could be achieved from looking at all housing services in its entirety again.
Allotments	• Not a core competence of the organisation or part of the value chain • Frees up strategic capacity of Greenspaces to focus on other areas of activity • Residents would have more control over allotment sites resulting in greater self-responsibility for maintenance and increased satisfaction rates.

Other potential waves

The list of services/bundles for wave 1 and 2 is not a definitive list but an emergent one. There is the potential to add other services to these waves, subject to a full business case being developed.

Other services that the Transact Group believed should be considered for future waves (post 2012) include:

- Leisure Services: unlikely to be viable given Greenwich Leisure Ltd contract and high investment cost of upgrade
- Libraries
- Children's Services.

Next steps

Subject to agreement to proceed, a business case for each identified wave 1 transact service/bundle will be developed. These will contain:

- A full description of the services and processes being considered and how they have been assessed against the Future Shape programme tests
- The strategic case for change – exploring the key outcomes anticipated from seeking alternative service delivery.
- A financial business case that explores the existing service cost baseline, more detailed projected efficiencies, investment costs and rate of return analysis to provide a financial cost-benefit.
- Analysis of legacy contractual arrangements that may curtail, limit or delay the suggested opportunities
- Market sounding to explore the specific nature of the suggested markets and details of potential delivery structures, the operating and management conditions and to determine the commercial attractiveness of the council's suggestion for key third party providers.
- The results of visits to local authorities where potential delivery models for Barnet Transact services are operating to understand the procurement, management and delivery pros and cons and to interpret these in light of the specific Barnet Future Shape context
- An analysis of the potential delivery / contractual models with a recommendation for the specific service
- The recommended procurement procedure and route to engage the market in the most efficient and compliant manner.
- The risks involved – and how they can be managed
- An implementation project plan and timetable.

Appendix 1 – Services considered out of scope by the Transact group (outcome of the first Transact Group Meeting)

- Conducting Elections (although consensus maintaining the electoral register could be done elsewhere)
- Large scale regeneration (there are already in place partnerships here although we would always retain the client side within the core)/ strategic planning (overseeing)
- Looked After Children - Corporate Parenting
- Child Protection
- Emergency Planning
- Setting strategies and policies for services e.g. Fraud Strategy, parking control policies, waste strategy etc
- Commissioning services e.g. care commissioning, drugs and alcohol commissioning

Appendix 2 - Summary of Potential Efficiencies

	Wave 1 and Wave 2
Efficiency saving[1]	**4m – 5.8m**
Description	Development of alternative delivery models (joint ventures, service outsourcing or shared services) for the identified services/service bundles. The adoption of a new delivery model will be subject to a strong business case being developed. Potential efficiency savings can be achieved from internal transformation in these areas. However, to achieve efficiencies of circa 10-15% on current operating costs, a new delivery model is required.
Key Questions	Do we have the procurement and contracting skills as well leadership capacity to drive the necessary savings and improvements from the private sector? Is there the appetite both internally and externally for these different delivery models? Have we chosen the right bundles and wavings? How do we build a case when the track record of the private sector in delivering a number of these services has historically been weak? Would these new delivery models give us sufficient economies of scope and scale to justify the complexity involved in governance?
Correlation with Future Shape Tests	Strong; Harnessing skills, capacity and innovation of a third party and particularly the private sector will lead to greater likelihood and acceleration of full benefits realisation, as well as more customer focussed services. Efficiencies and better value for the taxpayer will be delivered through economies of scale, service transformation and income generation. Better outcomes for the citizens of Barnet will be achieved by working more effectively with partners through a one public sector approach; the Council will be freed up to focus on its strategic and place leadership role as well as partnership building
Realisable when?	Wave 1 - between 2009-11 (the timescale for all Wave 1 services will be approximately 18 months from business case development to procurement, earlier in some cases such as Cem/Crem) Wave 2 - between 2009-2012 (the timescale for all wave 2 services will be a maximum of 36 months from business case development to procurement).
Costs to make savings	TBC. At this stage the costs of establishing these new delivery vehicles has not been calculated. This will form part of the detailed business case for each service area/bundle

[1] Figures have been identified by PwC and 4Ps analysis of recent deals secured by local authorities for these services/bundles. These savings will need to be validated in developing business cases.