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<Northamptonshire County Council>
<PLACE Directorate Managing Agent> Option Appraisal

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1 Executive Summary

It is the ambition of Northamptonshire County Council (NCC) to make significant changes to the way it operates, so to ensure it is fit for purpose for the future and is able to deliver further savings. With that in mind, it has been necessary to take a fundamental look at the way NCC – via its PLACE Directorate - deals with assets, so to ensure that it helps meet NCC's objectives as effectively as possible. Part of this is to establish a Managing Agent model, putting in place a long term delivery partner.

This report gives the findings of Managing Agent option appraisal which considers a broad range of options, with the aim of identifying one which can deliver the outcomes required by NCC to serve the people of Northamptonshire as efficiently as possible.

NCC's PLACE service has undergone significant change recently and will need to continue to change to ensure it is in the best position to support wider objectives across all service areas and make the best use of its property assets.

The following models for the delivery of PLACE services and capital delivery through a Managing Agent model were assessed:

- 1 Do Nothing
- 2 Social Enterprise(s)
- 3 Strategic Delivery Partnership
- 4 Special Purpose Vehicle (Joint Venture) – no asset transfer
- 5 Special Purpose Vehicle with asset transfer
- 6 Integrator Model
- 7 Integrator Delivery Partner

1.1 Recommendations

Due to the requirement to make significant revenue savings and the desire to continue to improve the contribution assets make to the delivery of NCCs objectives **it is recommended that:**

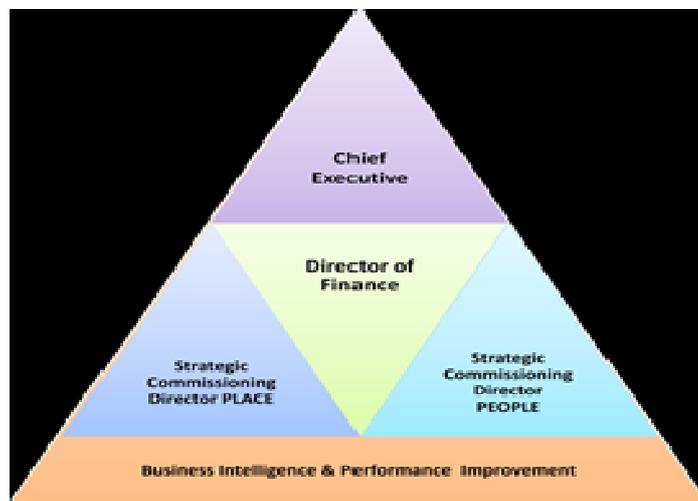
- 1 The **Integrator Delivery Partner** option is progressed;
- 2 That a **competitive procedure with negotiation** or a **competitive dialogue procedure** is used for procuring the new arrangements, thereby allowing market expertise to help define the best solution; and
- 3 That a **Project Board** and **Delivery Team** is put in place to take forward these recommendations.

2 Next Generation Council

2.1 Introduction

NCC is currently undergoing significant re-organisation to become a Next Generation Council which will be a commissioning-only organisation. The Council will ultimately comprise a small retained organisation called NCC Group which will right source PLACE and PEOPLE outcomes, through a federation of newly created Social Enterprises under the control and ownership of the Council. The schematic below, illustrates the Commissioning hub that lies at the heart of the Next Generation Council's command and control function.

This hub is to be known as NCC Group:



The PLACE Directorate concerns all aspects of Council services which primarily comprise a physical, tangible or place-based asset within the geography of Northamptonshire and beyond, and includes the management and operation of those assets too. It is anticipated that the PEOPLE Directorate will comprise those services which support individuals from birth to death and provide a safety net when needed such as for adult and children's social care.

In terms of the PLACE Directorate, the overall aim is to achieve sustainable improvements in the economic, social and environmental well-being of Northamptonshire communities – ensuring the right infrastructure, in the right place, at the right time available to the right people in the most cost effective manner.

The PLACE Directorate will seek to achieve efficiencies through improved processes, practices and procedures via rationalising a range of work currently undertaken across all existing Directorates. Its main focus for activity will be to strengthen existing strategic relationships and develop new ones in order to help deliver an increasing workload with reduced resources and funding. This will involve the exploitation of NCC assets more effectively and the potential for establishing new joint ventures with public, private and voluntary sectors.

PLACE will look to deliver financial savings through more joined-up service delivery and re-engineering of processes associated with the Council's strategic assets and property related activities and budgets.

2.2 Context

Over the next twenty years or so, Northamptonshire will be subject to unprecedented levels of growth with 70,000 new houses planned and 80,000 new jobs, this coupled with a growing and ageing population impacts significantly on the Council with a requirement to ensure that infrastructure is available to meet this growth, this together with an existing identified requirement to provide an additional 31 schools by 2021.

Through improved management between the capital programme and capital assets there is an opportunity to review all asset utilisation, actively seek out capital Invest to Save opportunities, and meet Service requirements. This will lead to opportunities to improve returns from assets or reduce cost impacts on the Council through improving efficiency and seeking commercial opportunities.

The PLACE ethos is that those services that utilise space, facilities and assets to deliver a service offer the most synergy and potential for alternative use, through the PLACE portfolio. People use libraries, but they are also accessing facilities and assets. Through focusing on best use of all assets, the end product will of course be delivered in conjunction with the Commissioner for PEOPLE but could then be available for multiple use to deliver wider preventative, communicative and advisory services.

The intention to improve services and reduce costs has been proven by the adoption of the HALO [High Ability – Low Operation] approach, which has delivered material cost savings of some £45million and seen a dramatic reduction in directly employed staff numbers from over 700 to currently around 130 within Environment, Development and Transport (EDT). The intention will be to roll-out the successful principles of HALOs across the whole of the PLACE portfolio, in order to ensure a robust, consistent and methodical approach to ensuring all services deliver efficiency whilst meeting the Council's Outcome requirements.

The PLACE Directorate is developing a new approach which will draw together specialist skills to look at the Council's asset base from three different perspectives;

- § **Create** - the development of new assets and local infrastructure to support the more effective delivery of services;
- § **Hold** - the effective management and maintenance of the Council's asset base; and
- § **Dispose** - the most effective placing of the Council's surplus assets in the market to bring the best financial and economic impact.

2.3 Purpose of Report

Turner & Townsend was commissioned by NCC in June 2016 to develop an operating model for this new way of working and to support the implementation of the new arrangements. The new model, which is in the process of being established:

- § Gives clarity to the roles of the PEOPLE and PLACE Directorates in relation to assets;
- § Sets out the PLACE Directorate's accountability for asset services and the supply chain;
- § Sets out a clear separation in roles and responsibilities for service strategy (PEOPLE) and dealing with asset implications of that strategy (PLACE);
- § Sets out the role of the Managing Agent within the overall delivery model; and
- § Centralises asset related budgets to ensure full visibility of costs and the ability to drive value.

As part of the proposed delivery model, it is intended to establish a Managing Agent to ensure delivery of the 'Big Ideas' programme, similar programmes in the future and assist in driving value from assets, both by helping to deliver one-off projects, deliver ongoing services, deliver savings and generate income.

Turner & Townsend has reviewed the options available for the Managing Agent and to what extent those options meet the Council's objectives. The report also makes recommendations on the most appropriate way of procuring the Managing Agent.

3 Scope of Services & Volume of Work

3.1 Potential Scope

Services and projects are currently provided across a number of the PLACE Directorate functions. Some of these are very tangible such as maintaining the Council's property through planned and reactive maintenance and some are statutory in their nature such as statutory planning functions and consultee provision on issues such as Flooding and Building Control. This section will focus on the scope of activities that are considered to generate appetite in the market place for a commercial relationship to be entered into, whereby the Council can increase its revenue and make savings across its PLACE functions without compromising its statutory duties. There are also projects that traverse a number of the PLACE Directorate's functions and these will be included in the scope if they are known and tangible.

3.1.1 Environment Planning and Transport

The Energy from Waste initiative is a programme of work and currently includes a requirement for a facility that will convert waste into energy in the form of gas that can be sold to gas operators. This capital project will need to be planned, designed, built and operated over a set number of years. This scope is likely to be offered as part of the arrangement that is entered into.

There is a heritage scheme at Castle House, Northampton. This is in scope and would need to be planned, designed, built and refurbished and operated over a predetermined number of years.

As part of the economic development initiative, superfast broadband is to be rolled out to rural areas and prioritised areas. The provider will secure funding and develop solutions with the Broadband supplier.

A new Dementia village is in the planning stages and is intended to be a leading edge project which offers a high quality living environment based on latest research, for dementia sufferers. The finalisation and design and construct and potentially operation will be part of the scope.

The Economic Heartland initiative recognises there are opportunities for efficiency from ten of the local authorities referenced in the Total Transport section. This will lead to project which could be taken forward by the Managing Agent.

3.1.2 Property Estates Service

Hard facilities maintenance activities such as M&E and building maintenance are provided through current contracts. These services could be included in scope and market appetite and impact on the Managing Agent will be considered as part of the market engagement exercise.

With the consolidation of Council offices a mixture of soft (cleaning, security, waste collection) and internal services (catering, caretaking, portering, reception and mail room) will be combined into one provision as the consolidation will create efficiencies. This could also be included in the Managing Agent scope and again will be tested as part of the market engagement approach.

The current portfolio of assets indicate that disposing of surplus or underutilised assets generate income through disposal. However the value derived by the Council developing these sites with a private sector partner may be higher and give opportunities to generate long term revenue streams.

The Council is operating a Federated model and can make commercial gains from the provision of services to other organisations and derive commercial benefit from that. A new provider could develop and manage the expansion of this service. Depending on the makeup of the Managing Agent, Council property assets could be transferred into a newly established Special Purpose Vehicle. Depending on the model, the Managing Agent could be part of the SPV.

3.1.3 Schools

Although the funding for schools is now from central government, the management of the programme is included within the scope of services. Expenditure is likely to need Education Funding Agency approval.

3.1.4 Total Transport Initiative

A Council initiative to increase efficiency and create a total transport solution for schools, general public, health and education is being funded to create a solution that utilises current transport services more efficiently. A Social Enterprise model comprising NCC, the University of Northampton and the University of Hertfordshire, has been set up. Part of their remit is to provide innovation through smart technology and journey planning that provides an enhanced transport system whilst incentivising the providers. The efficiencies will be ploughed back into the integrated transport provision. Mobility hubs would be one solution that the profits would generate. A Managing Agent could potentially take this model, and subject to agreement from some or all parties, promote and enhance it through a roll out across the Strategic Alliance of Central South Councils such as Milton Keynes, Oxfordshire, Central Bedfordshire, Peterborough, Cambridge, Luton, Buckinghamshire and Hertfordshire.

3.1.5 Highways

There is a current contract that provides the highways planning, feasibility, design, management and implementation of highway new build and maintenance services below a pre-determined threshold comes to an end in 2020. There is scope for additional services to be provided by a Managing Agent. Section 106 and Section 278 works that are provided by developers and private initiatives require a coordination function and if approached in a holistic way, have the potential to provide a commercial return. A coordinated function could be provided by a Managing Agent and the current highways strategic partnership would be

available to the new service provider as a vehicle to develop new routes to delivery for privately funded schemes.

3.2 Out of Scope Services

The current highways arrangement that provides the highway services described earlier is not proposed to be part of the service scope. The services and projects it provides will remain in place until 2020. Consideration of Managing Agent options will need to include the flexibility to incorporate or support delivery of additional services in the future, including Highways and Waste Management provision.

Statutory planning and development control commissioning is out of scope but operational strategic planning and development control could be in scope.

Fire and Rescue Services are out of scope.

4 Strategic Objectives

It is important to understand the strategic objectives are for NCC as this, along with the financial implications, will be the basis for assessing the different models for the delivery of services and projects within the PLACE Directorate (and beyond). This understanding has been developed through meetings with the PLACE senior leadership team and discussions with various stakeholders from across the areas of finance, transport, environment, property and asset management, procurement and capital delivery.

The outcome of these meetings and discussions are summarised under the observations section of this report, with a ranked list of priorities which were then categorised as:

- 1 **Up-front investment** – Provision of upfront investment of capital to stimulate development and delivery activities across the big ideas programme and beyond, so to maximise the return on supplier investment and support new revenue streams into NCC.
- 2 **Savings and revenue** – Management of existing operations along with closer scrutiny of the use of frameworks, so to drive revenue benefits (cost savings) which will in turn ease the pressure on services into customers.
- 3 **Capability and flexibility** – Provision of the right resources, at the right time so to meet the emerging needs of NCC over a long-term relationship.
- 4 **Commercial approach** – Applying sound commercial principles across their management, development and / or delivery functions to minimise wasted effort (time and resources) and proceed with schemes which are supported by a business case.
- 5 **Risk transfer** – Placing risk to management, development and / or delivery of services in the hands of those best placed to manage this effectively, so that NCC can focus on the strategic and not operational landscapes.
- 6 **Culture and ways of working** – Establishing the right cultures, attitudes to challenges and appetite to drive better performance, so that NCC (and the Managing Agent) get best value for their collective investments.

4.1 Weighting

Based on the feedback from meetings and discussions, the categories were subsequently weighted by Turner & Townsend to allow the option appraisal to recognise the relative importance of these factors. The weightings used for the option appraisal were:

Category	Weighting
Up-front investment	25%
Savings and revenue	20%
Capability and flexibility	17.5%
Commercial approach	15%
Risk transfer	12.5%
Culture and ways of working	10%

4.2 Observations

The overarching feedback from the PLACE senior leadership meetings undertaken in July and August 2016 was that the Managing Agent needed to bring ideas and first-hand experience of delivery of services and capital projects in a budget-constrained environment with particular focus on funding mechanisms that could be exploited over and above existing NCC approach i.e. **up-front investment**, as well as alternative private financing routes.

The financial elements of the Managing Agent procurement arrangement were considered fundamental in defining the correct fit for NCC, taking into consideration the challenges faced by the Council and the associated operational service areas. There was particular reference to the Medium Term Financial Plan (MTFP) and **realising savings targets** starting in 2017/18.

The financial theme continued into the area of asset ownership and management and what the appetite was to include some level of **risk transfer** from NCC to the supplier(s) – with a key focus on what would be the benefit for NCC in the short, medium and long term.

Discussions with stakeholders across PLACE (and LGSS) - undertaken as part of the requirements gathering process - highlighted the importance of having a Managing Agent whom had either a wide range of in-house **subject matter experts** and / or seamless access to their own **effective, reliable supply-chain**. This is to both mirror the service offerings falling under the PLACE Directorate currently as well as deliver in niche / specialist areas, outside areas of Council technical expertise. The drive to deliver value for money was another issue – especially in relation to NCC **revenue budgets** – and the importance of factoring in borrowing implications for capital schemes.

Services that are currently being delivered via major contracts – namely highways and waste management – would need to be kept in mind when developing the contractual arrangements for the Managing Agent. This is so that an **inbuilt level of flexibility** is included to enable the addition of new services as and when existing arrangements end.

Finally, the ability of the Managing Agent (including associated supply-chain) to work with NCC commissioners and technical staff, will need to be considered so that **cultures are aligned** and services are delivered in an optimum way. This will need to factor in the creation of any new roles within NCC, the de-merger of LGSS property staff, along with the realignment of asset led commissioners, to the PLACE Directorate – which will see a **change in the ways of working** during the procurement of the Managing Agent.

5 Market Engagement Process

5.1 Purpose of market engagement

Due to the complex nature of the Managing Agent solution being developed, it was considered crucial to get some informal input from potential suppliers, all of whom have experience of delivering services and capital projects of a suitable scale and via appropriate commercial mechanisms as are being considered by NCC. This was with a view to providing a platform for the supply chain to contribute to thinking around options. The process included:

- § Production of **market engagement prospectus**, which summarised the context and the objectives of the Managing Agent along with a **questionnaire** asking for specifics from the suppliers on areas such as experience, delivery models and commercial approaches;
- § Requesting suppliers to both submit **questionnaire responses** and subsequently attend **supplier engagement sessions**, where the project team, including NCC client and LGSS procurement representatives, were able to talk openly about NCCs ambitions and listen to feedback from the suppliers.

5.2 Market engagement feedback

The overall message from the market engagement was that **there is strong interest** in responding to this opportunity.

The majority of the organisations were in favour of a **partnership with NCC**. The forms of such a partnership were variable, ranging from a strategic partnership with NCC PLACE directorate functions or a JV with NCC PLACE with joint equity holding.

One of the organisations suggested being involved in a **Flexible Integrator Model**. Investment in for example the development of business cases is provided at no up-front cost to NCC, with the Integrator undertaking scheme development with recovery through delivery of projects. The Integrator's supply chain could provide delivery, or this could be done through other supply chains or frameworks. Contracts can be with the Integrator's supply chain or the contract is let by NCC managed by the Integrator. There is also the flexibility for SPV's to be set up for specific projects with joint equity.

Access to capital was a feature of one organisation which focused on access to capital to make a return on the fixed assets of NCC. That organisation is seen as a dominant party in a joint relationship with another provider of Facilities Management services and other statutory services. This supplier's balance sheet could be used to fund projects. Generally, organisations felt that **Special Purpose Vehicle's (SPV)** were preferred to Local Asset Backed Vehicles (LABV) as they are more flexible. Suppliers were concerned that for a LABV to work, it would need certainty of asset and a guarantee they would be in scope.

The feedback from the market engagement has been used to refine the options put forward in this report.

6 Procurement Routes

6.1 OJEU Procurement

Any procurement will be subject to the Public Contract Regulations as the Contracting Authority is a public sector organisation. The Competitive Procedure with Negotiation route has been recommended because it offers the greatest flexibility and allows for the development of a technical and commercial model through a transparent staged process. This involves an initial outline tender, a negotiated phase to enable refinement of the solutions and a 'best and final offer' tender which is competitive and drives value for money in the innovative procurement contract that is formed. Whilst the recommendation is to proceed under the Competitive Procedure with Negotiation route, the option to enter into Competitive Dialogue should be kept open, in case this is decided to be a more appropriate option during the detailed design of the Managing Agent solution.

Procurement routes considered include:

- 1 Open
- 2 Restricted
- 3 Competitive Procedure with Negotiation
- 4 Competitive Dialogue
- 5 Innovation Partnership

The following tables set out the key features and provides a critique of the main OJEU procurement routes.

6.2 Procurement Routes - Key Features, advantages and disadvantages

Procurement Route	Key Features	Suitability
Open	Optional Prior Information Notice, Preparation of all tender documents in advance of issuing a Contract Notice in the OJEU Official Journal. No prequalification to a short list and all applicants respond to an issued tender. All	<p>§ The open route does not support the flexibility required for a supplier shaped managing agent solution, as this is not a simple case of procuring goods, services and works.</p> <p>§ Whilst the timescales would be shorter – potentially – than other routes to</p>

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Procurement Route	Key Features	Suitability
	received tenders assessed. Used when there are well defined requirements that are in abundant supply in the market place.	market, the lack of shortlisting of potential bidders on capability, along with the requirement to review all supplier returns, would create a large procurement exercise which would be resource heavy, increasing the time to reach agreement on a successful supplier.
Restricted	Optional Prior Information Notice, Preparation of all tender documents in advance of issuing a Contract Notice in the OJEU Official Journal. Pre-qualification to a short list. Tenders issued to shortlist. Used when requirements are well defined but there are pre-qualifying requirements such as capacity, experience and financial standing.	<ul style="list-style-type: none"> § Whilst there is the ability to shortlist a manageable supplier base ahead of full ITT process, the Restricted route is still designed specifically for scope that is able to be clearly defined by the Client with minimal capacity for supplier engagement. § The rigid timescales would also not support a implementation plan which will undoubtedly have emerging requirements which will influence the ITT documents which would unlikely to be stable at the point on PIN being issued.
Competitive Procedure with Negotiation	Optional Prior Information Notice, Preparation of all tender documents so far as they can be defined, in advance of issuing a Contract Notice in the OJEU Official Journal. Pre-qualification, shortlisting, initial tender, negotiation phase, best and final bid. Used where requirements are not fully known and where the requirement will develop during the tender process. 'Best and final bid' tender stage drives value for money and competition whilst promoting innovation.	<ul style="list-style-type: none"> § It is a relatively expedient method of obtaining a value for money solution as it builds on requirements through three phases in the tender phase. § It is useful when the approach is difficult to fully specify, which is relevant in the case of the Managing Agent implementation. Used where the solution needs to be developed through the process. § It is relatively inexpensive to undertake compared with competitive dialogue saving NCC money in tendering. It is flexible and not prescriptive, it can generate a win/win solution and the final locked down tender stage provides value for money which is a key objective for NCC.
Competitive Dialogue	Optional Prior Information Notice, Preparation of all tender documents so far as they can be defined, in advance of issuing a Contract Notice in the OJEU Official Journal. Pre-qualification, shortlisting, invite shortlist to participate in dialogue, leading up to a final	<ul style="list-style-type: none"> § Requires the private sector to come up with solutions while there is still a competitive pressure. For NCC this could be time consuming as it is an iterative approach and the right solutions may take time to deliver. § More open communication between the contracting authority and the bidders with greater transparency of the procurement process, and enhanced competition with

Procurement Route	Key Features	Suitability
	issuing of a tender often following several stages of dialogue. Used where the approach is not fully known and solutions sought from the market place. Invitation of sufficient tenderers to ensure competition.	less opportunities for scope and price creep. § Improved bidders / contracting authority relationship but takes longer than other methods, is more expensive to use than other methods and is far more complex process § Limited flexibility and ability to adjust to changing circumstances. There is less flexibility than the Competitive Procedure with Negotiation so NCC unable to negotiate and would have to iterate.
Innovation Partnership	Optional Prior Information Notice, Preparation of all tender documents so far as they can be defined, in advance of issuing a Contract Notice in the OJEU Official Journal. Pre-qualification, shortlisting, initial tender, review, let contract for an R&D phase, evaluate, let tenders for R&D development phase, final tender submission (without negotiation) and assessment of final tenders offering developed Used where specific R&D is required to be developed from the market place and where there is sufficient funds to let the contracts for the first phase of R&D.	§ Incorporates research and a commercial phase into a single procurement. NCC would require funding to operate the R&D contract. NCC is not looking for development of R&D in the Managing Agent procurement. § Offers flexibility to set up a contractual partnership and during the procurement process however there can be difficulties in structuring contractual relationships. § Can only be used in certain limited circumstances where innovation is required. NCC do require innovation but not innovation that has to be developed and there is a limitation on change after award.

7 Delivery Models

7.1 Introduction

This section sets out a range of models that could be used to meet NCC’s objectives. These have been subject to an option appraisal to determine which model or models are most likely to best support delivery of the Council’s strategic objectives. Seven models have been assessed. The key features of these models and the advantages and disadvantages of each are described. Some examples of where these models are used have been given.

The delivery models assessed are:

- 1 Do nothing
- 2 Social Enterprise(s)
- 3 Strategic Delivery Partner
- 4 Special Purpose Vehicle – no asset transfer
- 5 Special Purpose Vehicle – asset transfer
- 6 Integrator Model
- 7 Integrator Delivery Partner

The key features, advantages and disadvantages of each delivery model are detailed below:

7.2 Delivery Models – Key features, Advantages & Disadvantages

Delivery Model	Key Features	Advantages	Disadvantages
Do nothing	This assumes the current position is maintained i.e. the PLACE Directorate has full responsibility for the strategy, delivery and maintenance of assets, with LGSS property staff and budgets transferred to the PLACE Directorate from 1st October 2016. This provides the baseline for the assessment of option	<ul style="list-style-type: none"> § Straightforward to put in place § Minimal disruption to service delivery § Existing skills and knowledge are retained 	<ul style="list-style-type: none"> § No ability to access private sector capital to pump prime developments § No market testing of service Value for Money § A fragmented supply chain § Individual procurements for services required, causing delay and additional

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Delivery Model	Key Features	Advantages	Disadvantages
	benefits.		cost § Culture change more difficult to achieve
Social Enterprise	NCC establishes a community interest company (CIC) that employs people and earns revenue so to support the changes in the local social and / or environmental landscape. This model would operate in a similar fashion to First for Wellbeing, where the opportunity to enter into an agreement with other organisations could be explored.	§ Provides an opportunity for local people to gain employment § Give the community more ownership over service delivery § Profits/surpluses are ploughed back into the organisation. This could be used to develop new products/services/activities § Provides flexibility of being able to trade whilst still fulfilling social aims	§ Competing with the wider public and private market would be challenging for a newly established entity. § Would have to establish inbuilt technical capacity and knowledge, which is unlikely given the nature of the scope. § No feasible route to up-front investment that is not already available to NCC § Risk transfer would be in name only, where NCC would still have to provide a guarantee over potential losses or legal issues. § Speed and pace of delivery would not match the market place – does not offer the opportunity to be a commissioning only organisation.
Strategic Delivery Partner	NCC contracts with one or a small number of third parties to provide asset related services that could be or usually have been provided in-house, by shared services or by a large number of suppliers. A client function with strategic property and contract management expertise is retained in house. Contracts are often output and outcome focussed and cover broad service areas. The aim	§ Enables strategic property management § Outcome focused, long-term partnership § Reduction in size of client team § Brings additional private sector expertise § Controlled risk transfer	§ Some loss of control § Requires mature/effective contract management capability § Financial transparency may be difficult to achieve § Limited opportunity for raising private sector capital

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Delivery Model	Key Features	Advantages	Disadvantages
	<p>is to establish a long term partner who has a good insight in to the Council’s strategy and development and operation of its assets.</p> <p>Oxfordshire County Council put in place a Strategic Partner model, which delivers the full range of property services and capital programme delivery.</p>	<ul style="list-style-type: none"> § Career opportunities for NCC staff § Full market testing of value for money 	
<p>Special Purpose Vehicle (Joint venture) - no asset transfer</p>	<p>A joint venture between NCC and a third party asset management company. This establishes a formal company structure. Asset ownership remains with NCC, with relevant staff transferring to the SPV, with sharing of risks and benefits. This can create an entrepreneurial business model with for example objectives to grow the delivery of services to other organisations, thereby reducing overheads and generating income.</p>	<ul style="list-style-type: none"> § NCC retains controlling interest § NCC and private sector partner have a financial interest, encouraging collaboration § Benefit from private sector expertise § Commercial drive for efficiency § Potential for revenue generation and growth 	<ul style="list-style-type: none"> § Procurement complexity and cost § Exit from the agreement is difficult § Potential for lack of flexibility to deal with changing requirements § No asset transfer so limited opportunity for raising private sector capital
<p>Special Purpose Vehicle (Joint Venture) - asset transfer</p>	<p>A joint venture between NCC and a third party asset management company. This establishes a formal company structure. Ownership of some assets transfers to the JV, with relevant staff transferring to the SPV, with sharing of risks and benefits. This can create an entrepreneurial business model with for example objectives to grow the delivery of services to other organisations, thereby reducing overheads and</p>	<ul style="list-style-type: none"> § NCC retains controlling interest § NCC and private sector partner have a financial interest, encouraging collaboration § Benefit from private sector expertise § Commercial drive for efficiency § Potential for revenue generation and growth 	<ul style="list-style-type: none"> § Procurement complexity and cost § Exit from the agreement is difficult § Potential for lack of flexibility to deal with changing requirements

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Delivery Model	Key Features	Advantages	Disadvantages
	<p>generating income. The transfer of assets in to the JV would be matched by equivalent value financing by the private sector partner, thereby enabling the exploitation of assets to deliver NCCs asset requirements.</p>		
<p>Integrator Model</p>	<p>An Integrator manages the asset supply chain for NCC, ensuring performance of the supply is maximized. It acts an intelligent, arm’s length commissioner of services for NCC. It does not deliver services, these are delivered by the supply chain. This enables NCC to have a small commissioning team. The supply chain can be appointed by NCC, the Integrator or jointly. An Integrator Model is being used by the Metropolitan Police Service and the Department of Work and Pensions is embarking on a procurement exercise to put this model in place.</p>	<ul style="list-style-type: none"> § Small in house team required § Integrator incentivised to maximise supply chain performance § Single focus on supply chain performance to achieve council objectives § Single point of access to services/supply chain § High level of flexibility as supply chain can be adapted by Managing Agent. 	<ul style="list-style-type: none"> § Risk of “margin on margin” and therefore higher costs § High performance dependent on an appropriate supply chain being established § No upfront private sector capital investment

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Delivery Model	Key Features	Advantages	Disadvantages
Integrator Delivery Partner	<p>An Integrator manages the asset supply chain for NCC, ensuring performance of the supply is maximized. It acts an intelligent, arm’s length commissioner of services for NCC. In this model the Integrator Delivery Partner also self-delivers same services. This enables NCC to have a small commissioning team. The supply chain can be appointed by NCC, the Integrator or both. The Council would establish a number of SPVs and transfer assets in to these. The transfer of assets in to the SPV would be matched by equivalent value financing by the private sector partner, thereby enabling the exploitation of assets to deliver NCCs asset requirements.</p>	<ul style="list-style-type: none"> § Small in house team required § Integrator incentivised to maximise supply chain performance § Single focus on supply chain performance to achieve council objectives § Single point of access to services/supply chain § Upfront private sector capital investment available when SPV established as part of supply chain § Flexibility in supply chain 	<ul style="list-style-type: none"> § Risk of “margin on margin” and therefore higher costs § High performance dependent on an appropriate supply chain being established

8 Option Appraisal

Each of the seven delivery models has been assessed against the weighted strategic objectives. The assessment was done collectively by the Turner & Townsend project team.

The option appraisal ranked the models as follows:

- 1 Integrator Delivery Partner
- 2 Special Purpose Vehicle – asset transfer
- 3 Special Purpose Vehicle – no asset transfer
- 4 Strategic Delivery Partner
- 5 Integrator Model
- 6 Do nothing
- 7 Social Enterprise

Observations on the scores and rankings are given below.

8.1 Delivery Model Option Appraisal – Rankings

Rank	Delivery Option	Comments
1 st	Integrator Delivery Partner	<p>This model was ranked 1st of 7.</p> <p>This option scored highly across all objectives. It is an innovative model which is an ideal fit for meetings NCCs needs. An “Integrator” would take responsibility for ensuring an appropriate supply chain delivers BAU services effectively and efficiently whilst being able to self-deliver new and challenging portfolios of work (such as Big Ideas). It is a flexible model as the supply chain can be changed to accommodate evolving needs. Incorporation of one of more SPVs would enable asset transfer and allow NCC to raise capital to progress development and regeneration schemes. It is consistent with and will enable delivery of the Next Generation and HALO models.</p>
2 nd	Special Purpose Vehicle (asset transfer)	<p>This model was ranked 2nd of 7.</p> <p>This model would establish an SPV with NCC assets transferred in to it, which would allow capital to be raised. It is not as flexible as an integrator model but scores relatively highly.</p>

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3 rd	Special Purpose Vehicle (no asset transfer)	<p>This model was ranked 3rd of 7.</p> <p>This model scores well against many of the criteria but does not allow the capital to be raised that is necessary to enable some schemes to proceed.</p>
4 th	Strategic Delivery Partner	<p>This model was ranked 4th of 7.</p> <p>This model is not the most suitable to deliver the Council's needs. It is best suited to situations where there is a relatively clear scope and volume of work to be delivered. It lacks the flexibility of an integrator model. It is recommended that this model is discounted.</p>
5 th	"Integrator Model" (no asset transfer)	<p>This model was ranked 5th of 7.</p> <p>This model gives the flexibility required but does not involve asset transfer and therefore does not allow the capital which is necessary to enable some schemes to proceed. It is recommended that this model is discounted. An Integrator Model is being used by the Metropolitan Police Service and the Department of Work and Pensions is embarking on a procurement exercise to put this model in place.</p>
6 th	Do nothing	<p>This model was ranked 6th of 7.</p> <p>It is recommended that this model is discounted as it does not score well against NCCs objectives. Improvements could be made to the existing way of working but the model would not allow for the consolidation, flexibility and capital raising that is required.</p>
7 th	Social Enterprise	<p>This model was ranked 7th of 7.</p> <p>It is recommended that this model is discounted as it does not score well against NCCs objectives. It is unlikely up-front investment and pace of delivery would be served well via this arrangement and there would be limited capacity for risk transfer, factoring in the new establishment and minimal capital investment NCC could offer.</p>

8.2 Delivery Model Option Appraisal – Scoring

Strategic Objectives	Up-front Investment		Savings and Revenue		Capability and Flexibility		Commercial Approach		Risk Transfer		Culture and Ways of Working				
Weighting		25%		20%		17.5%		15%		12.5%		10%			
Model	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score	Total Score	Total Weighted Score	Ranking
1. Integrator Delivery Partner	4	5	4	4.8	4	4.7	4	4.6	3	3.375	4	4.4	23	26.88	1
2. Special Purpose Vehicle – asset transfer	4	5	4	4.8	3	3.53	4	4.6	3	3.375	4	4.4	22	25.70	2
3. Special Purpose Vehicle – no asset transfer	2	2.5	4	4.8	3	3.53	4	4.6	2	2.25	4	4.4	19	22.08	3
4. Strategic Delivery Partner	1	1.25	4	4.8	3	3.53	4	4.6	3	3.375	3	3.3	18	20.85	4
5. Integrator Model	0	0	4	4.8	2	2.35	3	3.45	3	3.375	3	3.3	15	17.28	5
6. Do nothing	0	0	2	2.4	2	2.35	2	2.3	2	2.25	1	1.1	9	10.40	6
7. Social Enterprise	0	0	2	2.4	2	2.35	1	1.15	1	1.125	3	3.3	9	10.33	7

Key:

- 0 – Does not meet objective
- 1 – Slightly meets objective
- 2 – Partly meets objective
- 3 – Largely meets objective
- 4 – Fully meets objective

8.3 Financial Considerations

It is not possible to undertake a full financial appraisal at this stage of the appraisal process as the solution is not fully developed. From a financial perspective, the focus of this option appraisal is therefore to consider which options will deliver best long term value to NCC, in relation to NCCs objectives, which include the ability to deliver savings; income and up-front investment – either financial or in terms of businesses cases or expertise.

This assessment includes commentary on the likely financial implications and key issues such as the ability to raise capital to enable schemes with strong business cases to progress (see section 7.2). These will in turn deliver revenue savings. The Managing Agent is intended to be an enabler and deliverer of these types of schemes, will bring private sector expertise and funding and drive increased value and performance from supply chain partners.

The preferred option, Integrator Delivery Partner, scores well for up-front investment and delivering savings. It is the most comprehensive model and therefore has the potential to be the most attractive to the market and enable the MA to invest. It has three components which will all deliver financial benefits:

1. An Integrator – to drive value from NCCs existing supply chain
2. A delivery capability – for the MA to self-deliver businesses cases and schemes where this provides the best value
3. The ability to establish Special Purpose Companies which allow for NCC to transfer assets and the MA to provide investment to kick start schemes

A full business case will be available when the model is fully developed and submissions are received from potential suppliers.

9 Milestone Plan

The current anticipated programme for design and procurement of the Managing Agent, based on current proposals, is as below:

Milestone	Activity	Date
1	Cabinet consideration (procurement)	December 2016
2	European Single Procurement Document (ESPD) complete	December 2016
3	Tender pack complete	December 2016
4	OJEU Notice issued	January/February 2017
5	European Single Procurement Document (ESPD) issued	January 2017
6	Invitation to tender issued	March 2017
7	Negotiation period begins	June 2017

8	NCC informed of final result	August 2017
9	Cabinet approval (contract award)	September/October 2017
10	Managing Agent mobilisation	September/October 2017

10 Conclusions

This option appraisal allows some conclusions on which Managing Agent model should be taken forward.

Following the delivery model analysis it is concluded that an **Integrator Delivery Partner** is most likely to achieve support the Council's objectives and drive value, investment and long term savings.

At this stage, the **Competitive Procedure with Negotiation** is currently considered the most suitable procurement route based on the level of market engagement required to help design the final solution and to support timely appointment and benefits realisation. **Competitive dialogue** is also a potential option to be reserved pending further investigation.

11 Recommendations

Due to the requirement to make significant revenue savings and the desire to continue to improve the contribution property makes to the delivery of NCCs objectives **it is recommended that:**

- 1 The **Integrator Delivery Partner** option is progressed;
- 2 That a **competitive procedure with negotiation** or a **competitive dialogue procedure** is used for procuring the new arrangements, thereby allowing market expertise to help define the best solution; and
- 3 That a **Project Board** and **Delivery Team** is put in place to take forward these recommendations.