



CABINET

13 DECEMBER 2016

CORPORATE DIRECTOR FOR PLACE COMMISSIONING: TONY CIABURRO

**DEPUTY LEADER OF THE COUNCIL & PUBLIC PROTECTION: COUNCILLOR
GONZÁLEZ DE SAVAGE; AND**

**CABINET MEMBER WITH RESPONSIBILITY FOR TRANSPORT, HIGHWAYS AND
ENVIRONMENT: COUNCILLOR MORRIS; AND**

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR BROWN

Subject:	Place Transformation – Proposed Public Private Sector Joint Venture Initiative (Managing Agent)
Recommendations:	<p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Notes progress in the development of the Place Directorate; 2. Agrees to adopt the preferred option for a Managing Agent as set out within the Options Appraisal Report, attached in Appendix 1 for further development; 3. Agrees that delegated authority be given to the Corporate Director for Place Commissioning, in consultation with the Deputy Leader of the Council, Cabinet Member for Transport, Highways and Environment, and the Cabinet Member for Finance, to undertake a Business Case and the subsequent procurement process for the Managing Agent; 4. That a Member and Officer Project Board be established to oversee the development and delivery of the Managing Agent Concept as set out in Section 4 of this report; 5. Agrees that the outcome of the procurement process and final Business Case be reported back to Cabinet for further consideration and approval.

1. Purpose of Report

- 1.1 The purpose of this report is to enable Cabinet to consider a new operating model for the Place Directorate. This model involves the utilisation of a Managing Agent, which is in keeping with the Next Generation Working Model adopted by the County Council earlier this year. This Report, and the subsequent recommendations, are supported by an Options Appraisal, which has been undertaken by external specialists Turner and Townsend, and is included in Appendix 1.
- 1.2 This report also seeks to secure approval from Cabinet to formally commence the competitive procurement process, and that the Corporate Director for Place Commissioning, in consultation with the Cabinet Member for Transport, Highways and Environment, and the Cabinet Member for Finance, be given delegated authority to undertake and manage the procurement process for the Managing Agent.

2. How this decision contributes to the Council Plan

The County Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:

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| <ul style="list-style-type: none">• People achieve economic prosperity, in a healthy, low carbon economy which give access to jobs, training and skills development.• Communities thrive in a pleasant and resilient environment, with robust transport and communications infrastructure.• Resources are utilised effectively and efficiently, in coordination with partners and providers. |
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3. Background

- 3.1 To meet increasing service demands and budgetary pressures the County Council has undergone, and continues to undergo, significant re-organisation to become a Next Generation Council. The formation of the new Place Directorate enabled the responsibilities for Environment, Development and Transport, the Capital Programme, all PFIs and the management of the County Council's Estate, to be drawn into one directorate. This new structure enables economies of scale to be reaped from a consolidated and coordinated approach.
- 3.2 The new Place Directorate has responsibility for all aspects of County Council services which comprise a physical, tangible or place-based asset within the geography of Northamptonshire. This responsibility extends to both the management and operation of these assets.
- 3.3 Against this backdrop, the Place Directorate is currently undertaking a Transformation Programme which is delivering a number of key work-streams. One of the primary work-streams is the development and procurement of a long-term delivery partner (the Managing Agent).
- 3.4 The County Council has been exploring models and examples from around the country to determine the most appropriate approach to securing the Managing Agent. This approach will build on the successful implementation of the HALO (High Ability – Low Operation) model which, to date, has delivered material savings of around £45M and seen a reduction in directly employed staff from approximately 700 to 130 within the Environment, Development and Transport Directorate without a loss in performance or productivity.
- 3.5 The Managing Agent concept aims to implement a management and delivery vehicle which brings innovative approaches to financing, incentivising and realising benefits to support the County Council's corporate goals. It aims to facilitate the delivery of the Capital Programme and any future similar schemes, whilst also assisting in driving value from assets through new and innovative approaches.
- 3.6 External expertise from Turner and Townsend has been secured to assist and advise on the approach to the Managing Agent. The Turner and Townsend team has direct and relevant experience in delivering similar models and outcomes for other public

sector organisations. They have prepared an Options Appraisal Report which explores and defines the potential objectives, scope, delivery models, procurement routes, and concludes with a series of recommendations. This Options Appraisal Report is included in Appendix 1.

4. Proposed Strategic Objectives for the Managing Agent

4.1 The following Strategic Objectives have been identified for the Managing Agent to achieve:

1. Up-front investment – the provision of upfront investment of capital or revenue to stimulate development to maximise the return on investment and support new revenue streams into the Council;
2. Savings and revenue – the management of existing operations along with closer scrutiny of the use of frameworks, to drive revenue benefits and cost savings;
3. Capability and flexibility – the provision of the right resources, at the right time to meet the emerging needs of the Council over a long-term relationship;
4. Commercial approach - applying sound commercial principles across the management, development and/or delivery functions to minimise wasted resources and proceed with schemes which are supported by a sound business case;
5. Risk transfer - placing the risk with the organisation best placed to manage it;
6. Culture and ways of working - having the right cultural approach, attitudes to challenges and ways of driving better performance that fit with the Council's.

4.2 These objectives provide an opportunity to assess the most appropriate procurement route and delivery model, and as such provide the basis for comparing the options.

Scope of Services

4.3 The County Council is aiming to maintain a level of inbuilt flexibility to the scope of the Managing Agent role to enable the addition of new services as and when required. This will allow the Managing Agent delivery model to meet changing service needs and demands over the contract period. It is too early to specially define the scope of the new model in any detail at this stage, but it is expected to strategically manage the Assets of the County Council in order to exploit them efficiently and effectively in order to improve services, save money and bring in extra income. Moreover, the Managing Agent will combine Private Sector skills and resources to deliver, or facilitate the delivery of, a range of new initiatives including the delivery of such proposals as an Energy Park, dementia village and the delivery of the schools programme. In addition it will support and help deliver Strategic Planning functions and the Capital Programme.

Procurement Route

4.4 The full suite of procurement routes were considered:

- **Open Procedure** – this approach does not require a prequalification stage and all applicants respond to an issued tender. It is used when there are well defined requirements that are in abundant supply in the market place;
- **Restricted** – this approach is a two-staged process with an initial pre-qualification stage. Tenders are then issued to the qualifying shortlist. It is used when

requirements are well defined but there are pre-qualifying requirements such as capacity, experience and financial standing;

- **Competitive Procedure with Negotiation** – this process has a number of stages including pre-qualification, followed by a shortlisting stage, then the initial tender and negotiation phase commences which is concluded with best and final bids. It can be used where the intended outcomes and broad scope are known but the approach to delivery is not fully known, allowing the requirements to develop during the tender process;
- **Competitive Dialogue** – this is a more flexible approach with pre-defined stages which include the pre-qualification stage, inviting the shortlisted bidders to participate in dialogue which then leads to a stage of issuing the final tender which will often have followed several stages of dialogue. This process is used where requirements are not fully known and solutions and ideas are sought from the market place;
- **Innovative Partnerships** – this process is used where there are specific requirements for research and development (R&D) from the market place and where there are sufficient funds to let the contracts for the first phase of R&D.

4.5 Competitive Procedure with Negotiation is recommended as the preferred option for this procurement based on the level of market engagement required to help design and shape the final solution, to support the timely appointment and benefits realisation. Competitive Dialogue is also a potential option to be reserved pending further investigation as it also offers a flexible approach and enables dialogue at key stages throughout the procurement process. The key features and suitability assessment for each procurement route is fully explained in the report included in Appendix 1.

Options Appraisal

4.6 Seven delivery models were assessed in the Options Appraisal. A full description and an assessment of each can be found in the report included in Appendix 1. These have been briefly summarised below:

Option 1 - Do nothing – the current position is maintained;

Option 2 - Social Enterprise(s) - NCC establishes a community interest company that employs people and earns revenue to support the changes in the local social and / or environmental landscape;

Option 3 - Strategic Delivery Partner - NCC contracts with one, or a small number of third parties, to provide asset related services that could be, or historically have been, provided in-house by shared services or by a large number of suppliers;

Option 4 - Special Purpose Vehicle (SPV) (Joint Venture with no asset transfer) - a joint venture between NCC and a third party asset management company. This establishes a formal company structure. Asset ownership remains with NCC and relevant staff transfer to the SPV, allowing for the sharing of risks and benefits;

Option 5 - Special Purpose Vehicle (Joint Venture with asset transfer) - 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 Joint Venture and relevant staff transfer to the SPV, allowing for the sharing of risks and benefits;

Option 6 - Integrator Model - an Integrator manages the asset supply chain for NCC, ensuring performance of the supply chain is maximised. It acts as 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;

Option 7 - Integrator Delivery Partner – an Integrator manages the asset supply chain for NCC, aiming to ensure performance of the supply chain is maximised. It acts as an intelligent, arm's length commissioner of services for NCC. In this model the Integrator Delivery Partner also self-delivers some services. This enables NCC to have a small commissioning team. The supply chain can be appointed by NCC, the Integrator or both. This model might involve the County Council establishing a number of SPVs into which assets are transferred. The procurement would seek to ensure that the transfer of assets in to the SPV could be matched by equivalent value financing by the private sector partner, thereby enabling the exploitation of assets to deliver NCC's wider policy objectives.

4.7 Following the delivery model analysis it is concluded that the preferred option is Option 7, an Integrator Delivery Partner.

4.8 This option scored highly across all objectives. It is an innovative model which is an ideal fit for meeting NCC's needs. An Integrator would take responsibility for ensuring an appropriate supply chain delivers the 'business as usual' services effectively and efficiently whilst being able to self-deliver new and challenging portfolios of work. It is a flexible model that can be changed to accommodate evolving needs. The incorporation of one or more SPVs would enable asset transfer and allow NCC to raise capital to progress development and regeneration schemes.

4.9 Prior to finalising the Options Appraisal process, Turner and Townsend undertook a soft market engagement exercise. This enabled the ideas and options to be informally tested with the market. Feedback from the market engagement process has been used to refine the options appraised in the report. The overall message from the market was that there is strong interest in responding to this opportunity. An overview of the engagement exercise is included in the Options Appraisal Report included in Appendix 1.

5. Governance

5.1 An Officer and Member Project Board and Project Working Group will be formally initiated following Cabinet Approval, to take forward the recommendations and deliver the next steps on the project. The project governance will report through to the County Council's strategic governance groups, NCC Group and the Corporate Leadership Team.

6. Timetable:

December/January 2016	Prepare full suite of procurement documentation.
February 2017	Issue OJEU notice to commence procurement.
March 2017	Invitation to tender issued.
June 2017	Negotiation period begins.
August 2017	Issue final tender documents. Final submission by bidders.

September/October 2017

Final Business Case. Cabinet Approval. Contract Award.

7. Consultation and Scrutiny

7.1 Within the County Council key individuals and groups have been briefed and consulted on the background and preferred approach to the Managing Agent, these include:

- NCC Group;
- CLT;
- Corporate Director Place Commissioning;
- Assistant Director for Environment, Planning and Transport;
- Head of Property Services
- Head of Procurement (LGSS);
- Strategic Finance Manager (LGSS);
- Representatives from Legal Services (LGSS).
- Business Intelligence Manager

8. Equality Screening

8.1 There are no equalities implications because the proposal involves the development of a business case and procurement process, and not a change in service. Consequently no further action is required at this stage.

Reason that no EqIA is required	✓ as appropriate
The paper is for information only	
The proposal/activity/decision has no impact on customers or the service they receive	
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (please explain further) none undertaken at this stage. An EqIA will be undertaken, if required, for the appropriate Cabinet decision.	✓

9. Alternative Options Considered

9.1 A number of alternative options have been considered for both the procurement route and delivery vehicle and have been subjected to rigorous assessment as part of the Options Appraisal Report included in Appendix 1.

10. Financial Implications

10.1 The precise levels of savings will not be known until the procurement process is completed and the final business case produced, but the opportunity to speed up delivery of schemes, secure private sector expertise and capital, reduce the size of the internal team and bring forward the exploitation of underutilised assets is expected to deliver significant savings. The Medium Term Financial Plan currently shows a saving of £500k in each of the three financial years from 2017-18, i.e. an overall base budget reduction of £1.5m by March 2020.

10.2 A detailed resource plan has been produced to enable the total project costs to be forecast. These are broken down over two financial years and will be funded from the County Council Transformation Fund.

	Current year	Forecast		
	2016/17	2017/18	2018/19	2019/20 & beyond
	£000	£000	£000	£000
One-off Revenue Costs				
Legal fees	32	13		
Professional Fees	280	210		
Total on-going costs (revenue)	312	223		
Funded by	A bid to the existing Transformation Fund			

What benefits will the proposal deliver?	<ul style="list-style-type: none"> • Place Directorate operational efficiencies. • Significantly reduced in-house client team. • Integrator incentivised to maximise supply chain performance. • Economies of scales in the delivery of services and capital projects. • Upfront private sector capital investment available when SPV established as part of supply chain • Income from the delivery of the Big Ideas programme. • Cost avoidance.
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11. Risk and Business Continuity Management

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
Investment/savings not achieved	Clear expectations are set out in the procurement documents and tested through the negotiation stages.	Amber
Legal challenge to procurement methodology.	Legal involvement and advice have, and will be, sought throughout the process. A Legal representative sits on the Working Group.	Amber
Delays in the procurement process delay the implementation	Any changes to legislation and / or other external factors will be identified in a timely manner to minimise impacts on the programme and enable suitable mitigation.	Amber
Potential implications for existing NCC Group or LGSS services.	Financial or other impacts to be considered as part of the Business Case.	Amber

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Savings and investment opportunities not realised.	Red
Inability to operate within the Next Generation Working Council model.	Red

12. List of Appendices

NCC Managing Agent Option Appraisal

Author:	Name: Sue Morrell Team: Environment, Development and Transport
Contact details:	Tel: 01604 366994 Email: smorrell@northamptonshire.gov.uk
Background Papers:	
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	Yes, prior to contract award. Sept/Oct 2017.
Does the report include delegated decisions? If so, please outline the timetable here	Yes, throughout the procurement timetable as set out in section 7 of this report.
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)	YES Name of SFM: Rosemary Pallot n/a
Has the report been cleared by the relevant Director?	YES Name of Director: Tony Ciaburro
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Andre Gonzalez De Savage, Cllr Ian Morris and Cllr Robin Brown
Has the relevant scrutiny committee been consulted?	NO Scrutiny Committee:
Has the report been cleared by Legal Services?	YES Name of solicitor: Laurie Gould
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	YES Name of officer: Simon Deacon
Have any property issues been cleared by Property and Asset Management?	N/A Name of officer:
Are there any community safety implications?	None identified at this stage in the process.
Are there any environmental implications:	None identified at this stage in the process.

Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	

