

# Contents

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1.0	INTRODUCTION .....	2
1.1	Description	2
1.2	Purpose	2
1.3	About the Executive Summary	2
2.0	WHAT WAS UNDERTAKEN? .....	3
2.1	Soft Market Test	3
2.2	Meet the Buyer Event	3
2.3	Stakeholder Consultation	4
2.4	Peer Group Review	5
2.5	“Horizon Scanning”	5
3.0	WHAT WERE THE KEY FINDINGS? .....	6
4.0	OVERVIEW OF THE OPTIONS .....	8
4.1	Summary of Options	8
5.0	ANALYSIS OF THE OPTIONS.....	10
5.1	Overview of the Analysis	10
5.2	Risks and Benefits Analysis	10
5.3	Cost Analysis	11
6.0	THE RECOMMENDATION .....	12
6.1	Recommended Shortlist	12
6.2	Development of the Shortlisted Options	13
6.3	For Decision	13

## 1.0 INTRODUCTION

### 1.1 Description

This Executive Summary Report (ESR) provides a summary of the key findings of the “Options Appraisal” (Ref: R150216B - Harlow Options Appraisal) in relation to the future delivery of works and services currently provided by the joint venture between Harlow Council and Kier Services, known as “Kier Harlow Ltd” (the “Joint Venture”), on behalf of Harlow Council (HC) (the “Authority”).

### 1.2 Purpose

To provide Harlow Council with information to help inform the decision-making around the future delivery of works and services currently provided by the joint venture that meets the client objectives set out at **2.3 – Key Drivers** of the Options Appraisal. In particular, to identify potential “Delivery Models” for the required works and services.

### 1.3 About the Executive Summary

This ESR provides a summary of the following:-

1. What was undertaken?
2. What were the key findings?
3. Overview of the options
4. Analysis of the options
5. The recommendation

## 2.0 WHAT WAS UNDERTAKEN?

In order to consider the options for the future delivery of works and services provided by Kier Harlow, a number of activities were undertaken. These are summarised below:-

### 2.1 Soft Market Test

The purpose of the "Soft Market Test" exercise was to engage with the market to identify potential solutions, best practice, capacity and capability to deliver a range of services required by the Council.

A "Questionnaire" was prepared and issued to potential bidders who responded to a PIN (Prior Information Notice) issued by Cameron Consulting on behalf of Harlow Council on 9 January 2015 (OJEU Ref: 2015/S 006-006611). Respondents were directed to an online questionnaire, managed by Cameron Consulting, using "SurveyMonkey®". Responses were received no later than 28 January 2015. In total, 21 organisations completed the questionnaire in full.

### 2.2 Meet the Buyer Event

The purpose of the "Meet the Buyer" (MTB) event was to talk to potential providers and to gather further market intelligence and best practice around the range of services on offer. Of the 21 respondents to the "Soft Market Test", the following were invited to meet with the Council on 9 February 2015:-

1. Morgan Sindall Property Services
2. Wates Construction Ltd
3. Willmott Dixon Partnerships
4. Mears Limited
5. Mitie Property Services (UK) Ltd
6. MD Building Services Ltd

Respondents were provided in advance with a briefing note and a list of further probing questions in response to a review of their completed soft market test questionnaire. This formed the basis of the 1-2-1 meetings with each respondent.

In addition, Kier Services Ltd, as the commercial partner in the JV and incumbent provider to Harlow Council, participated in a teleconference on 13 February 2015.

## 2.3 Stakeholder Consultation

The purpose of “Stakeholder Consultation” was to talk to a number of different groups impacted by the current service. This included the following:-

1. Councillors
2. Officers of the Council (Staff)
3. End Users (Residents – Tenants and Leaseholders; Environmental Service Improvement Team)
4. Current Service Provider (Kier Harlow Ltd) including the Lead Trade Union Representative

The main purpose of the stakeholder meetings was to gather evidence relating to how the current service is delivered in a number of different areas and to also explore potential future delivery models. Workshops and meetings were held between 26 January and 11 February 2015 and sought to identify the following:-

1. What works well
2. What doesn't work well
3. What a new contract(s) could look like

## 2.4 Peer Group Review

The purpose of the Peer Review was to talk to peer organisations about the way in which they deliver their services. It was intended to learn from best practice being undertaken in similar organisations. Peer organisations were selected based on their similarity to Harlow Council and their recent procurement activity. The following peer organisations participated in the “Peer Group Review”:-

- Sheffield City Council
- Dacorum Borough Council

## 2.5 “Horizon Scanning”

In terms of the “Options Appraisal”, the principles of “Horizon Scanning” were adopted in respect of:-

- Considering emerging trends and developments in the sector;
- Considering the impact of current and future legislative requirements;
- Opportunities to “think outside the box”;
- Managing the risk of the delivery of the project by considering opportunities and threats.

“Horizon Scanning” in connection with this “Options Appraisal” comprised wholly of desktop based research, mainly through online resources.

### 3.0 WHAT WERE THE KEY FINDINGS?

Based on the outputs of the Soft Market Test, Meet the Buyer Event, Stakeholder Consultation and Peer Group Review; there were a number of common themes that emerged. These are summarised as follows:-

#### 1. Proposed Delivery Models

- a) There is no one solution; there are a number of delivery models that could work across different workstreams;
- b) Larger contractors favour a “one stop shop” approach, either through a contracting arrangement or a joint venture;
- c) Smaller contractors favour individual contracts for each workstream;
- d) There is little knowledge and appetite for Employee Led Mutuals.

#### 2. Packaging of Works

- a) Bundled Services could work but only really effective under a JV;
- b) Performance of Environmental Services was considered to be lower than that of Housing Repairs;
- c) Under the new procurement rules there is a need to justify why contracts are not broken down into “Lots”;
- d) Vehicle Maintenance could be split or removed from the scope of services.

#### 3. Contract Matters

- a) Optimum contract period should be between 7 and 10 years;
- b) Favoured use of Term Contract for the delivery of workstreams;
- c) Use of ACA Term Partnering Contract TPC2005 is most favoured form;
- d) There is a need to consider how works are delivered where leaseholder consultation is required;

4. Pricing & Innovation

- a) Fixed price mechanisms such as Price per Property or target cost work best;
- b) Incentivisation should be included in the contract and linked to performance;
- c) The call centre function is best undertaken by the contracting partner or at the very least where the provider is co-located with the client;

## 4.0 OVERVIEW OF THE OPTIONS

### 4.1 Summary of Options

Set out below is a summary of the proposed options:-

Option	Brief Description of Option
<b>Option 1 – Joint Venture (Single Provider)</b>	This option comprises the replication of the current JV, Kier Harlow. All services currently delivered by the JV will be packaged together. The Council will procure a new JV partner and establish a new JV to deliver the required services.
<b>Option 2 – Insourcing (Direct Services Organisation)</b>	This option comprises the "bringing back" in-house of all services currently delivered by the JV. This will require a management team to be put in place to manage a directly employed workforce to deliver all of the services.
<b>Option 3 – Outsourced Contract (Single Provider)</b>	This option comprises the replication of the current JV, Kier Harlow. All services currently delivered by the JV will be packaged together into one single outsourced contract with the contract being awarded to a single Service Provider.
<b>Option 4 – Outsourced Contract (Two Providers)</b>	This option consists of procuring two Service Providers under an outsourced delivery model to deliver all of the required services under two main workstreams:-  <ol style="list-style-type: none"> <li>1. Package 1 – Housing Repairs</li> <li>2. Package 2 – Environmental Services</li> </ol>
<b>Option 5 – Outsourced Contract (Multiple Providers)</b>	This option consists of procuring multiple Service Providers under an outsourced delivery model to deliver all of the required services:-  <ol style="list-style-type: none"> <li>1. Housing Repairs;</li> <li>2. Non-Housing Repairs</li> <li>3. Street Cleaning;</li> <li>4. Grounds Maintenance</li> <li>5. Pest Control;</li> <li>6. Stray Dog Collection</li> <li>7. Vehicle Maintenance</li> <li>8. Caretaking &amp; Cleaning</li> </ol>
<b>Option 6 - Hybrid Option (JV/Outsourced)</b>	This option consists of procuring the "Major Package" under a JV model and "Minor Packages" under an outsourced delivery model to deliver all of the required services:-

Option	Brief Description of Option
	<p><u>Major Package</u></p> <ol style="list-style-type: none"> <li>1. Housing Repairs;</li> <li>2. Environmental Services.</li> </ol> <p><u>Minor Packages</u></p> <ol style="list-style-type: none"> <li>1. Caretaker/cleaning;</li> <li>2. Pest control;</li> <li>3. Stray dogs;</li> <li>4. Highway and Drainage.</li> </ol>
<b>Option 7 - Hybrid Option (Insourced/ Outsourced)</b>	This option consists of insourcing either one or both packages as set out in Option 4.

## 5.0 ANALYSIS OF THE OPTIONS

### 5.1 Overview of the Analysis

Each option was analysed in terms of:-

- "Benefits" and "Risks" to the Authority
- "Cost" to the Authority

The key findings of this analysis are set out below:-

### 5.2 Risks and Benefits Analysis

Set out below is the overall assessment of "risk and benefits", ranked in order, where the most positive number indicates the option with a higher balance of benefits over risks.

Option	Overall Assessment
Option 1 – Joint Venture (Single Provider)	<b>12.5</b>
Option 2 – Insourcing (Direct Services Organisation)	<b>10.5</b>
Option 3 – Outsourced Contract (Single Provider)	<b>3.5</b>
Option 4 – Outsourced Contract (Two Providers)	<b>24.5</b>
Option 5 – Outsourced Contract (Multiple Providers)	<b>8.0</b>
Option 6 – Hybrid Option (JV/Outsourced)	<b>27.0</b>
Option 7 – Hybrid Option (Insourced/Outsourced)	<b>19.0</b>

### 5.3 Cost Analysis

A thematic cost analysis was undertaken in relation to each option. The results are set out below where the lower number represents the option that offers the best cost option to the Council, taking into consideration the following:-

- **Set up Costs** - The costs of mobilisation and transition from the existing contract to the new contract
- **Procurement Costs** - The cost of procuring the proposed option, including internal and external support (Legal and Strategic Procurement)
- **Client Management Costs (Post Award of Contract)** - The ongoing cost of managing the contact, reflecting the staff and resources necessary to deliver the proposed option
- **Cost of Risk** - The cost likely to be included by the Bidder to cover uncertainties in the overall programme for which ultimately, the Authority will bear
- **Overall Cost of Option** - The net outturn cost of the proposed option(s)

Option	Overall Assessment
Option 1 – Joint Venture (Single Provider)	<b>63.0</b>
Option 2 – Insourcing (Direct Services Organisation)	<b>73.0</b>
Option 3 – Outsourced Contract (Single Provider)	<b>63.0</b>
Option 4 – Outsourced Contract (Two Providers)	<b>57.0</b>
Option 5 – Outsourced Contract (Multiple Providers)	<b>79.0</b>
Option 6 – Hybrid Option (JV/Outsourced)	<b>53.0</b>
Option 7 – Hybrid Option (Insourced/Outsourced)	<b>59.0</b>

## 6.0 THE RECOMMENDATION

### 6.1 Recommended Shortlist

Based on the analysis of the options including risks, benefit and costs, there is a clear separation between "*High*" and "*Low*" scoring options. In summary, there are 3 options that are *high* scoring and these are set out below:-

- Option 4 – Outsourced Contract (Two Providers)
- Option 6 – Hybrid Option (JV/Outsourced)
- Option 7 – Hybrid Option (Insourced/Outsourced)

The remaining options are *low* scoring and it is recommended that these options are dismissed from further consideration:-

- Option 1 – Joint Venture (Single Provider)
- Option 2 – Insourcing (Direct Services Organisation)
- Option 3 – Outsourced Contract (Single Provider)
- Option 5 – Outsourced Contract (Multiple Providers)

It is recommended that the highest scoring options be taken forward for further detailed analysis and consideration to support the Council arrive at a single recommended option.

## 6.2 Development of the Shortlisted Options

Following a decision from Cabinet in relation to the proposed shortlist of options, it is recommended that the following is undertaken:-

1. Further **“Peer Group Review”** to be undertaken amongst the “Audit Family Group”<sup>1</sup> to gather further feedback on proposed delivery models and to provide evidence of best practice within a recognised peer group;
2. **Financial Appraisal** of each delivery model to identify a broad range of potential life cycle costs associated with each option;
3. **Organisational & Cultural Impact Assessment** to be undertaken to assess the impact of each proposed delivery model;
4. Development of an outline **“Procurement Strategy”** for each option to detail the specific procurement activities required delivering the proposed option.

The results of the above activities for each option to be presented to Cabinet in Q2, 2015/16 for decision on the proposed option.

## 6.3 For Decision

Set out below are key areas for decision by Cabinet in order to proceed to the next stage:-

1. Approval of the recommendation of the shortlisted options set out at [6.1 Recommended Shortlist](#);
2. Approval to proceed with the next stage of the “Options Appraisal” as set out in [6.2 Development of the Shortlisted Options](#).

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<sup>1</sup> The Audit Family Group comprises the following local authorities (including Harlow): Basildon, Crawley, Corby, Stevenage & Watford.