



Collaborative Opportunities Working Papers

Collaborative Feasibility Project

Service Cluster: Environmental Services

Date: 13/07/11

Version: 1.0 FINAL

Darlington Borough Council

Hartlepool Borough Council

Contents

1	Document Control.....	4
2	Introduction.....	5
2.1	Background.....	5
2.2	Key Drivers of the Project.....	5
2.3	Guiding Principles.....	5
2.4	Evaluation Criteria.....	7
2.5	Strategic Scope.....	7
2.6	Progress to Date.....	8
3	The Current Environment.....	9
3.1	Overview.....	9
3.2	Integrated Transport Unit.....	10
3.3	Joint Fleet Management & Maintenance.....	12
3.4	Single framework for building and highways construction.....	17
3.5	Collaborative Building Works.....	18
3.6	Collaborative building cleaning.....	21
3.7	Collaborative catering.....	23
3.8	Joint street lighting maintenance and procurement.....	26
3.9	Joint Street Scene provision.....	28
3.10	Strategic partnership in waste collection.....	31
3.11	Combining Environmental Sustainability skills and expertise.....	33
4	Potential opportunities and Operating Model.....	34
4.1	Overview of the potential opportunities.....	34
4.2	Potential Strategic Operating Model.....	35
4.3	Integrated Transport Unit.....	36
4.4	Joint fleet management & maintenance.....	39
4.5	Collaborative building works.....	43
4.6	Collaborative building cleaning.....	48
4.7	Collaborative catering.....	50
4.8	Joint street lighting maintenance and procurement.....	53
4.9	Joint Street Scene provision.....	56
4.10	Strategic Partnership in Waste Collection.....	60
4.11	Combining Environmental Sustainability skills and expertise.....	62
4.12	Joint provision of traffic management related works.....	64
4.13	Key risks.....	64
4.14	Assessment against the Guiding Principles.....	66
4.15	General risks.....	68
4.16	Points for further consideration.....	69

5	Appendix.....	70
5.1	Passenger transport breakdown.....	70
5.2	Building Works Budget Breakdown	75
5.3	Commercial Catering Breakdown.....	77
5.4	Street Scene Breakdown	78

V1.0 FINAL	Collaboration Feasibility Project: Environmental	13/07/11
------------	--	----------

1 Document Control

Version	Amendment Detail	Author	Date
V0.1	Initial Draft	Abbas Baig	05/04/11
V0.2	Updated as per comments from Glenn McCauley	Abbas Baig	14/04/11
V0.3	Document updated as per planning meeting held on 19/4/11	Abbas Baig	21/04/11
V0.4	Document updated as per meetings with Denise Ogden, Ian Thompson and Alastair Smith	Abbas Baig	08/05/11
V0.5	Document updated as per data provided by Denise Ogden, Ian Thompson, Alastair Smith and Ken Poole	Abbas Baig	19/05/11
V0.6	Document updated with comments and actions captured in workshop 24/05/11.	Brandon Bailey	24/05/11
V0.7	Updated as per data provided by Denise Ogden, Ian Thompson, Alastair Smith and Ken Poole	Abbas Baig	06/06/11
V0.8	Document updated for savings values	Glenn McCauley	10/06/11
V0.9	Document updated post proof read from working group session on 14/6/11	Will Collier	15/06/11
V0.10	Updated figures provided and incorporated into the document	Will Collier Abbas Baig	22/06/11
V0.11	Updated following comments from review	Will Collier Abbas Baig	08/07/11
V1.0	Final updates made for submission to Project Board	Will Collier	13/07/11

2 Introduction

2.1 Background

Darlington Borough Council and Hartlepool Borough Council have agreed to explore the feasibility for collaboration that may exist between both organisations. The high-level opportunities that will be generated from this work will form part of many options that will be considered by both Authorities in their response to their current and future financial pressures, Government reforms and local needs.

This report documents the potential opportunities that exist for collaboration which will be presented to the Project Board for consideration.

2.2 Key Drivers of the Project

Outlined below are the list of key drivers, agreed by both Corporate Management Teams, which set out the reasons for pursuing a feasibility study into a strategic collaboration between Darlington and Hartlepool Borough Councils. These are:

- Having a **sustainable financial future**.
- Supporting **democratic accountability** and choice.
- **Shaping their own destinies** by being ahead of the game.
- Stimulating and **informing wider partnership** working across the region, by providing leadership.
- **Optimising outcomes** for local people, by retaining a focus on the need of our local communities.
- Continuing to **support sustainable and resilient communities**, by remaining committed to our strategic priorities.

2.3 Guiding Principles

Outlined below are the guiding principles which have been agreed by both Corporate Management Teams. These guiding principles have been used to ensure that the opportunities developed comply with both Authorities' strategic objectives.

Guiding Principle 1: Each Local Authority will retain their individual identity and sovereignty

Explanation:

- The ability of citizens to hold their Members to account must remain paramount.

V1.0 FINAL	Collaboration Feasibility Project: Environmental	13/07/11
------------	--	----------

- Each Authority will define the outcomes for the local population and how these are delivered.
- Investment priorities and service levels will continue to be determined locally.
- Members have the choice to standardise or customise services, with a clear understanding of the costs and benefits of the decisions they make.
- It will be critical to recognise the difference between who is accountable for a service versus who is providing a service.
- Statutory responsibilities will not be undermined.

Guiding Principle 2: Collaboration is not limited to Darlington and Hartlepool

Explanation:

- While the feasibility of collaboration between the two Authorities is being tested, it is not the only option
- Opportunities could include other authorities
- Opportunities could include other public organisations
- The benefits or disbenefits of collaboration between the Authorities will be looked at on a service-by-service and thematic basis rather than “all or nothing”
- At the same time, the collective benefit of strategic collaboration through synergies will be evaluated

Guiding Principle 3: The Authorities enter this process with a positive view of collaboration

Explanation:

- Strong leadership and clear direction will be key to ensure this study delivers a robust and balanced set of conclusions for consideration
- The output of this project will be a strategic assessment of opportunities, symbolising the start of a decision making process, not the end. The timeframes and level of information available are proportionate to the status of the project and require a measure of pragmatism
- Individuals who have been involved in transformation should be encouraged to champion the principle of collaboration during this study
- It remains clear that ‘doing nothing’ is not an option for either Authority

Guiding Principle 4: Collaboration must deliver demonstrable additional benefits to working separately

Explanation:

- Collaboration will create a renewed level of resilience within each Local Authority. A resilient organisation will have the right skills, the right capacity and the critical mass to deal with future pressures
- Collaboration will deliver the expected level of financial benefits required to mitigate the financial risks projected
- Collaboration will create the robustness to mitigate operational risks
- Opportunities will consist of a combination of service-specific opportunities as well as cross-cutting opportunities / synergies

2.4 Evaluation Criteria

These guiding principles will be evaluated to determine the extent to which the opportunities deliver against the key drivers of this project. The key questions to be answered for each opportunity are as follows:

- 1) To what extent does the option meet our key drivers?
 - 1.1) Sustainable financial future
 - 1.2) Supporting democratic accountability and choice
 - 1.3) Shaping our own destiny
 - 1.4) Stimulating and informing wider partnership
 - 1.5) Optimising outcomes for local people
 - 1.6) Sustainable and resilient communities
- 2) To what extent does each Authority retain its sovereignty?
- 3) To what extent does the option bring additional benefits?
- 4) To what extent does the option support each Authority's strategic design principles?

2.5 Strategic Scope

It was agreed by the Corporate Management Teams of both Authorities that, for the purpose of this strategic opportunity analysis, no services or functions or roles would be deemed out of scope. However, it has been subsequently decided that Community Safety and Neighbourhood Management and Community Development and Empowerment should not be considered in this report. This is because these were considered not to be significant areas for cost reduction. Community Safety was also excluded due to

differences in Police Authority boundaries and Neighbourhood Management was excluded as it is specific to Hartlepool only.

All opportunities would need to comply with the guiding principles in order to be credible.

Furthermore, any collaborative opportunities would need to be evaluated against other options identified separately by the two Authorities.

2.6 Progress to Date

The approach of this project will follow four stages, where this report represents the outputs for **stage 3**.



3 The Current Environment

3.1 Overview

In summary, the services in scope are those considered to be the “delivery arms” of the Authorities which are responsible for delivering services/works “on the ground” in the borough commissioned by their respective Authority. Based upon the current structures of both organisations, there are some areas where the distinction between the commissioner and delivery teams are combined, however, the majority of the resources in this area will be related to the Director Labour Organisations (DLOs) and external providers from the market.

This section provides a brief overview of the current operating model for the services within scope, as summarised in the table below:

Service Area	Darlington Addressable Budget	Hartlepool Addressable Budget	Total Addressable Budget
Integrated Transport Unit	1,377,930	975,270	2,353,200
Joint Fleet Management & Maintenance	1,510,500	1,459,656	2,970,156
Collaborative Building Works	1,241,323	1,231,207	2,472,530
Collaborative Building Cleaning	1,420,200	2,132,420	3,552,620
School Meals	1,640,767	3,087,933	4,728,700
Joint Street Lighting Maintenance and Procurement	490,705	352,410	843,115
Street Cleaning	961,700	1,061,605	2,023,305
Grounds Maintenance	1,862,000	1,590,144	3,452,144
Joint Provision of Traffic Management Related Works	181,345	422,756	604,101
Management Restructuring			
Total	10,686,470	12,313,401	22,999,871

The figures above are the addressable spend as defined by each service, rather than gross budget. Further details on the composition of this can be found in the relevant section for each service.

3.2 Integrated Transport Unit

3.2.1 Overview

The Unit covers the co-ordination, commissioning and delivery of transport services. These transport services are for the following:

- Home to School Transport – this includes transporting pupils (including children who have Special Educational Needs (SEN))
- Community Transport – this involves transporting adult social care service users between locations.
- Private Hire – this involves the transportation of social care service users, children and young people and staff through external suppliers e.g. Taxi firms.

Both Authorities operate an internal service, administered by local policy, designed to ensure that access to transport is provided to children and adults.

The method of provision is a key difference between the two Authorities, as Hartlepool Borough Council provides children and adult community transport services internally, externally in the market and through the third sector whilst Darlington Borough Council commissions these services from the market, while maintaining a small internal fleet.

Strategic Direction

Hartlepool Borough Council are looking to introduce a route optimisation system in October 2011 that will enable the Authority to co-ordinate the provision of these services to ensure all transportation routes effectively support passenger transport needs. The Authority is also in dialogue with Health to determine the potential for collaboration.

One of the key differences between those operations is that Hartlepool Borough Council sells any extra transport capacity which generates additional income to the Authority. This is seen as a financial growth opportunity which they are pursuing to broaden to other organisations in the form of a travel club.

3.2.2 Scale of Operation

The scale of the operation is shown below:

Service Profile:

	Darlington Borough Council	Hartlepool Borough Council
White Collar	4.2 FTEs	7.5 FTEs
Passenger Assistants	21.35 FTEs	20.29 FTEs
Drivers	6.85 FTEs	18.35 FTEs ²
Staff Budget ¹	£609k (32.4 FTEs)	£985k (46.14 FTEs) ³

¹Please note Staff Budget includes on costs.

²Hartlepool's FTE figure does not include the outcomes of the SDO.

³Hartlepool's figure includes Road safety which is considered under Highways

Transport provision summary

The summary of transport provision is illustrated into the following parts:

- Internal provision
- External provision
- Income streams (i.e. income generation and grant funded)

Breakdowns of each of these summaries are located in Appendix 5.1 Passenger Transport Breakdown.

Transport Area	Darlington Borough Council		Hartlepool Borough Council	
	Passenger Numbers	£	Passenger Numbers	£
Internal provision	95	138,980	763	646,975
External provision	1,549	1,377,930	1,401	975,270
Sub total	1,644	1,516,910	2,164	1,622,245
Income Streams				(120,998)
Additional costs		93,577		
Staff Budget		609,000		985,000
Net Cost		2,219,487		2,486,247

3.3 Joint Fleet Management & Maintenance

3.3.1 Overview

Fleet management and maintenance of vehicles and appropriate equipment (including plant and equipment) consists of three distinct areas of activity:

Procurement of vehicles, equipment and appropriate supplies

- This will include the purchasing and leasing of vehicles of a variety of specifications and suppliers from the market. The purchasing of vehicles can be on a spot or block purchase basis depending upon the individual service area requirement.
- The procurement of vehicle maintenance equipment and supplies which is required for staff to undertake their repairs and maintenance activities. The purchasing of repairs and maintenance equipment can be on a spot or block purchase basis depending upon the individual service area requirement.

Repairs and maintenance of vehicles

- This includes repairing and the day-to-day maintenance checks of the fleet which is delivered by an in-house or external team.

Management of the fleet

- This includes the co-ordination and deployment of vehicles to ensure they support the requirements of individual service areas.

- Both Local Authorities manage and maintain their own fleet of vehicles to support the delivery of a range of different services. The operations run as a traded service whereby each of the service areas commission vehicles from the fleet and are recharged for the service.
- To ensure that the fleet is used effectively and is ready for use by services as and when required and on a regular basis, both Authorities have the responsibility to carry out repairs and maintenance whether it is delivered internally or, in limited instances, by external providers.

Operational Characteristics

Broadly, both services have the following key operational similarities:

- A transport team responsible for procuring vehicles based upon service area requirements with assistance from their corporate procurement teams. The budget for this service is held by the respective teams.
- Repairs and maintenance are provided by an in-house team of fitters who operate out of Authority-owned garages and are housed in depots.
- Managing the vehicle pool through co-ordinating demand and scheduling use of the fleet by individual service areas.
- The fleet consists of a variety of different vehicle makes, models and specifications which have been predominantly driven by service area specific requirements. There are no formal common standards or specifications across the two fleets.

The key differences between both Authorities are outlined in the table below:

Darlington Borough Council	Hartlepool Borough Council
<ul style="list-style-type: none"> • Most of the fleet operate under a leasing arrangement with different replacement timescales. 	<ul style="list-style-type: none"> • 70% of the vehicles within the fleet are purchased and Authority owned and 30% are leased. • Above and beyond servicing these vehicles, the Authority also provides MOT/Service to private customers and category 4, 5, 6 and 7, which acts as an income stream for the service. • Hartlepool undertakes inspections for the private sector.

Service demands

Given the nature of the services that the fleet supports, there are seasonal demands upon the fleet which impacts on the utilisation of these vehicles. Furthermore, during peak periods of the service, there are additional demands upon the depot for repairs and maintenance which require rapid turnaround of vehicles to ensure service continuity. Some characteristics of these demand pressures on particular aspects of the fleet are as follows:

- Buses within the fleet are used for transporting Children and Young People (including transportation of SEN users) to School as well Adult Social Care service users to locations such as community centres on a regular basis. This part of the fleet is typically under higher usage during the school term time when these vehicles are regularly used to support these two sets of customer groups. As such, ensuring that these vehicles are continuously operational is critical.
- Winter maintenance vehicles (e.g. Gritters and snow ploughs) are under pressure during the winter periods. The particular pressures here are ensuring these vehicles are ready to be mobilised as and when required and if repairs upon the vehicles are needed, they are rapidly completed to minimise the vehicle down-time.
- Street Scene vehicles (e.g. Refuse vehicles) are regularly used vehicles which need to be maintained throughout the year, to ensure that the service can be delivered on time and to the required quality.
- Cars and vans in the fleet are multi-purpose in nature and in many cases support a range of needs of individual service areas, for example carrying out building repairs and maintenance and couriering between Authority locations. Vans are used regularly throughout the year for a variety of purposes and a van can be used by a number of different service areas.

3.3.2 Scale of operation

The scale of this operation is illustrated in the table below:

Fleet profile

Vehicle Type	Darlington Borough Council	Hartlepool Borough Council
Construction Vehicles	21	33
Street Scene Vehicles	58	50
Grounds Maintenance	22	54

Vehicles		
Winter Maintenance Vehicles	7	5 demount bodies
Buses	17	31
Vans	104	71
Cars	3	1
Total Size of Fleet	232	245
Annual mileage covered	3,278,264	2,588,095
Number of depots	1	1

Service budget

The cost of running this service for both Authorities is detailed in the table below:

10/11 Outturn	Darlington Borough Council	Hartlepool Borough Council
¹ Staffing cost (including on costs)	£388,200	£359,529
Vehicle Replacement Costs (including lease payments)	£999,300	£990,832
Premises costs	£41,700 (includes £38,000 M&A Premises and Security costs)	£164,907 (O/head)
Supplies and services (maintenance parts/	£511,200 (includes £166,300 Accident repair costs charged direct to departments)	£468,824

consumables)		
Fuel	£540,800 (includes £519,00 fuel charged direct to departments)	£24,637 – Workshop and Procurement only (not entire fleet) £614,049 - Whole Fleet (excludes hire)
Systems Costs (includes support/upgrades)	£16,400 (excludes £30,000 one off consultancy costs)	
Sub Total	£2,497,600	£2,622,778

¹Staff budget includes on cost

²Excludes £49k of support services costs

Points to note in relation to the table above:

- **Overhead allocation:** Please note that corporate overheads/recharges are excluded from the table above as these will be accounted for within the Corporate & Transactional cluster.
- **Life costs:** The life costs of each of the vehicles differ from vehicle to vehicle. The costs of specialist vehicles are especially expected to contain a larger proportion of the total costs of the fleet. The costs in the table above only illustrate the total costs incurred across the fleet.
- **Servicing frequency:** It should be noted that the total costs of vehicle maintenance is also attributed to the servicing frequency for each type of vehicle. Therefore vehicles with more frequent servicing schedules and/or larger cost per service will increase the costs of maintenance.

Key ratio

	Darlington	Hartlepool
Cost of Service per Mile (£)	0.76	1.01

3.4 Single framework for building and highways construction

3.4.1 Overview

Capital schemes consist of highways and building related construction where the scope of this opportunity will be looking at procurement of such schemes from the marketplace.

The successful delivery of capital schemes to support local priorities of both Authorities is critical. Furthermore, as capital programmes and funding sources are substantially reducing, procuring the best value from the market place is critical.

3.4.2 Scale of operation

Capital build schemes for both Authorities cover the sourcing external skills and expertise in delivering the actual construction.

Both Authorities utilise a variety of routes to sourcing including North East Purchasing Organisation (NEPO). At this stage both Authorities are committed to using the North East Construction Frameworks to deliver value for money in the future for these services. It is felt that no other supply chain routes or opportunities to collaborate need to be pursued. Consequently, savings have not been assumed for this area.

3.5 Collaborative Building Works

3.5.1 Overview

Both Authorities internally provide the delivery of building works similar to any external organisations, with the following key distinctions.

Darlington Borough Council:

Devolved approach: Building work responsibilities are commissioned by services who hold the budgets for building maintenance. These services are traded and the costs of these services are recharged against the service areas' budgets.

Cyclical/Reactive approach: Building works are carried out in a cyclical or reactive manner.

Hartlepool Borough Council:

Planned approach: Building maintenance is a traded service, but all property related budgets have recently been pooled. A practice followed within the Authority is to test the cost effectiveness of the external and internal providers to ensure the Authority realises value for money. The maintenance budgets within the Authority have been pooled, which has created greater control and methods of prioritising the delivery of maintaining the estate.

Both traded services are required to achieve income targets year on year. Their predominate income streams are their respective Local Authority's with some additional income from other organisations.

3.5.2 Scale of operation

The operational scale of building works services is illustrated in the table below.

Scope of Buildings

10/11 Outturn	Darlington Borough Council	Hartlepool Borough Council
Number of Authority administrative buildings	11	5
Number of other Authority owned buildings	80	100 (excludes schools)

Staff profile

10/11 Outturn	Darlington Borough Council	Hartlepool Borough Council
Operative FTEs	Public Buildings (incl. schools revenue) – 8.04 Housing Revenue – 25 Capital Projects 39.96	Public buildings – 6 Other works, i.e. capital - 36

Service budget

Below is the revenue budget position of both services. For a full breakdown across Revenue and Capital, please refer to Appendix 5.2 Building Works budget breakdown.

Revenue Budgets	Darlington Borough Council ¹	Hartlepool Borough Council
Staffing cost (including on costs)	653,201	477,387
Supplies and services (maintenance parts/consumables)	164,544	322,555
External maintenance provision from third parties	520,141	431,265
Expenditure provisions made ²	(54,192)	
Other Expenditure SSR ³	(28,371)	
Director/AD Costs	(14,000)	
Gross budget	1,241,323	1,231,207

Please note that analysis undertaken has excluded Director and AD costs from the budget as this is being considered as part of the overall strategic management design.

¹ Excludes Housing Revenue Account figures. Please see Appendix 5.2 Building Works Budget Breakdown for further details.

²The expenditure provision is an allowance for debts against the work and covers such items as goods received, charged for but not paid for and similar provisions for sub-contracted works, retentions held etc.

³Support Service costs have been excluded from any analysis as this is being covered under the Corporate & Transactional cluster

Key ratios

	Darlington	Hartlepool
Cost of service per operative (£)	154,393	205,201
Staff cost ¹ as a % of gross budget	49%	39%

¹ Excludes Support services recharge and costs for the Director /AD for Darlington (these are already excluded from the Hartlepool staff cost quoted)

3.6 Collaborative building cleaning

3.6.1 Overview

This opportunity seeks to explore the collaborative opportunities related to the delivery of building cleaning across a range of Authority-owned buildings.

Both Authorities internally provide the delivery of building cleaning services which operate as traded services and are required, at a minimum, to break even by year end.

3.6.2 Scale of operation

The operational scale of building cleaning services is illustrated in the table below.

Scope of Buildings

Building types	Darlington Borough Council	Hartlepool Borough Council
Authority administrative buildings	117 ¹	5
Other Authority owned buildings	25 (Schools)	70 ²
Total	142	75

¹Please note: 57 buildings are blocks of flats cleansed once a week

²This figure includes libraries and community buildings, but does not include Housing Hartlepool

Service budget

11/12 Budget	Darlington Borough Council	Hartlepool Borough Council
FTE	63.88	120
Staffing cost (including on costs)	1,208,700	1,904,055
Supplies and services (maintenance parts/consumables)	82,200	69,603
External provision	16,000	69,895
Other expenditure	113,300	88,867
Gross budget	1,420,200	2,132,420
Income	(1,500,000)	(1,982,991)
Net budget	(79,800)	(149,429)

Key ratios

	Darlington	Hartlepool
Gross cost of service per FTE (£)	22,232	17,770

3.7 Collaborative catering

3.7.1 Overview

This opportunity seeks to explore the collaborative opportunities related to the delivery of catering services across Authority sites, schools and community centres. The key activities in scope of this are:

- Purchasing of equipment and supplies
- The workforce involved in delivering the catering service

Both Authorities provide the delivery of catering services internally as a traded service which is required, at a minimum, to break even by year end.

School Meals

Darlington currently provides a fixed menu for its schools compared to Hartlepool which offers a choice-based menu. Hartlepool is currently exploring the potential to move to the fixed menu.

Commercial

Darlington has a significant commercial catering operation which operates from the Dolphin Centre. It brings a substantial level of revenue which is in contrast to Hartlepool which has a relatively small commercial catering operation. However, Hartlepool has identified this as an area for income generation and future development during 2011/12.

3.7.2 Scale of operation

The operational scale of catering services is illustrated in two parts, School Meals and Commercial Catering.

School Meals

10/11 Outturn	Darlington Borough Council	Hartlepool Borough Council
School meals served	725,236	854,250 (includes 361,156 free school meals)
Menu	Choice	Choice
FTE	35.5	89
Staffing cost (including on costs)	958,292	1,649,316
Supplies and services	679,211	1,359,739
Other expenditure	3,264	78,878 (50k one off equipment purchase and 40k insurance stripped out)
Gross budget	1,640,767	3,087,933
Income	(1,522,493)	(3,035,410)
Net budget	118,274	52,523

Key ratio

	Darlington	Hartlepool
Cost per meal (£)	2.26	3.72

Commercial catering

A summary of commercial catering is illustrated in the table below. For the purposes of this analysis, Hartlepool's commercial catering figures have not been provided as these are small in value and opportunities for collaboration here are limited.

A detailed breakdown of this is shown in Appendix 5.3 Commercial catering breakdown.

2010/11	Darlington
FTEs	33.5
Staffing costs	977,917
Catering costs	458,205
Bar costs	219,553
Supplies and services – Other	102,200
M & A charge (premises)	3,062
Total Expenditure	1,760,937
Catering income	1,215,413
Bar income	635,884
Other income	32,176
Total income	1,883,473
Net cost	(122,535)

3.8 Joint street lighting maintenance and procurement

3.8.1 Overview

This opportunity consists of three distinct elements:

- Repairs, maintenance and installation of Street Lighting, including activities such as responsive repairs, periodic inspections and testing and replacement and maintenance of lighting units.
- Procurement of equipment and supplies which are required to support the repairs, maintenance and installation of Street Lighting.
- Energy usage/consumption of the Street Lighting network.

The management and maintenance of Street Lighting is an internally delivered service across both Authorities which is organised in different ways. The key difference between both Authorities is in the specification, standards and designs used across their respective Street Lighting stock.

3.8.2 Scale of operation

The operational scale of this service is illustrated in the table below.

	Darlington Borough Council	Hartlepool Borough Council
No. of street lights in inventory at the end of the year	16,868 (plus illuminated elements)	14,302
Full cost of replacements	17,800,000	11,500,000
Number of units replaced	N/A this year	(N/A – capital spend)
FTE	3.7	

Service budget

11/12 Budget	Darlington Borough Council	Hartlepool Borough Council
Staffing cost (including on costs)	N/A – covered in Asset Management budget	281,540 (Management and delivery arm)
Premises costs	Included in external cost	
Cost of energy (through NEPO) Not included in savings calculations	590,150	615,921
External maintenance provision from third parties	508,700	70,870
Gross budget	1,098,850	968,331
Total income (knockdowns etc)	(17,995) ¹	(4,000)
Net budget	1,080,855	964,331

¹ This relates to Darlington's Support Services and Director/AD recharges

Key ratio

	Darlington	Hartlepool
Cost per Street Light (£)	64.08	67.43

3.9 Joint Street Scene provision

3.9.1 Strategic scope

The scope of each area within Street Scene Services is as follows:

1. Street cleaning to include:
 - Manual and mechanical sweeping
 - Weed control – hardstanding
 - Gully emptying
 - Street washing
 - Litter bin emptying
 - Graffiti removal
 - Fly tip removal
 - Street litter bin emptying
 - Dog waste bin emptying

2. Grounds maintenance to include:
 - General amenity space grass cutting
 - Maintenance of parks/open spaces
 - Council housing areas/sheltered housing
 - Council garden tidies
 - Bowling green maintenance
 - Edging
 - Planting, weeding, watering, floral displays, shrub bed maintenance
 - Hedge maintenance
 - Rural road grass cutting
 - Sports field maintenance and sports pitch marking
 - Leaf removal

3.9.2 Overview of operation

Both Authorities provide a range of services that have an important impact on the condition and appearance of streets, roads, town centres and public open spaces. Maintaining these areas is a key political priority. Efforts to raise awareness and engage communities and the wider public to use their area appropriately are also a key lever to improving the service and delivering on political commitments.

Although structures are different between the two Authorities' services, the management, co-ordination/scheduling of delivery staff and procurement of equipment and supplies are fundamental to these services.

Budget reductions have been experienced across these services in both Authorities resulting in service standards reducing significantly.

3.9.3 Scale of operation

The operational scale of the services in scope of this report is illustrated in the table below. Detailed breakdown of these figures is shown in Appendix 5.4 Street Scene.

Street cleaning (as defined in scope above):

Budget 11/12	Darlington Borough Council £	Hartlepool Borough Council £
Management FTE	3	-
Operational FTE	34 ¹	34
Total FTE	37	34
Gross budget ⁴	1,372,300	1,841,663
Net budget	1,365,100 ²	1,598,217 ³

¹Includes 1 x Street Care

²Excludes £49.1k M&A & £55.9k SSR

³Excludes Administration and Management costs including departmental and corporate recharges

⁴Gross budget includes transport costs (DBC – £394,500; HBC - £726,477) which have not been considered in the addressable spend for savings as they are covered in the Fleet Management opportunity

Key ratio

	Darlington	Hartlepool
Gross Cost of service per population ¹	£13.67	£20.26

¹Population assumed to be; DBC: 100,400, HBC: 90,900 (Source: Mid-year Population Estimates 2009)

Grounds Maintenance (as defined in scope above):

11/12	Darlington Borough Council	Hartlepool Borough Council ³
Management FTE	4	-
Operational FTE	42 ¹	45
Total FTE	46	45
Gross budget⁴	2,283,700 ²	2,052,002
Net budget	1,589,700	(234,697)

¹Includes Seasonal 9 (15 x 7 months). FTEs exclude R Ward.

²Employee costs are net of £34.1k salary recharge. Income excludes salary recharge income. Approximately 80% of £113.9k Tree income is internal.

³Includes all income & expenditure for the Nursery

⁴Gross budget includes transport costs (DBC - £421,700; HBC - £461,858) which have not been considered in the addressable spend for savings as they are covered in the Fleet Management opportunity

Key ratio

	Darlington	Hartlepool
Gross cost of service per population ¹	£22.75	£22.57

¹Population assumed to be; DBC: 100,400, HBC: 90,900 (Source: Mid-year Population Estimates 2009)

3.10 Strategic partnership in waste collection

3.10.1 Overview

Waste collection is a critical and visible activity for both Local Authorities. The scope of this opportunity is the collection of waste from residential and businesses and the transportation to recycling, landfill and other centres.

3.10.2 Overview of operation

Both Authorities operate a waste collection and recycling service to the following standards:

	Darlington Borough Council	Hartlepool Borough Council
Collection rates	Weekly collection	Alternate weekly collection
Week 1	Residual	Residual, paper, cans bottles
Week 2	Paper, card glass, and residual	Green, waste, plastic and card
Number of collections per week	48,423 – Refuse Collection 24,200 – Recycling	42,000
Collection types		
Residual	Weekly black sack	240 wheeled bin
Paper	Fortnightly	Paper – 20ltr blue sack provided by
Cans	Part of the residual collection	55 ltr blue box provided by contractor
Bottles	Fortnightly	55 ltr blue box provided by contractor
Green waste	No kerbside service	240 ltr brown wheeled bin provided to 37,000 properties
Plastic	Part of the residual collection	120 ltr hessian sack mixed with cardboard
Card	Fortnightly	120 ltr white hessian sack mixed with plastics in house
Bin Type	Black bags	Wheelie bins

3.10.3 Scale of operation

The operational scale of this service is illustrated in the table below.

Collection

	Darlington Borough Council ¹	Hartlepool Borough Council
Management FTE	3	4
Operational FTE	27.5	33
Total FTE	30.5	37
Gross budget	1,915,900 ²	2,988,365
Income	(752,500)	(603,137)
Net budget	1,163,400 ³	2,385,228

¹Figures include Trade, Bulky & HSE Clearance

²Figure includes Premises M&A

³Figure excludes £40.8k M&A 7 £46.4k SSR

Recycling

	Darlington Borough Council	Hartlepool Borough Council
Management FTE	1.5	n/a – see note 1
Operational FTE	12	n/a – see note 1
Total FTE	13.5	n/a – see note 1
Gross budget	551,000	n/a – see note 1
Income	(354,000)	n/a – see note 1
Net budget	197,000	411,744 ¹

¹This figure relates to contractor payments

3.11 Combining Environmental Sustainability skills and expertise

3.11.1 Overview

The scope of this opportunity includes the staff involved in the following key areas:

- Carbon Reduction
- Energy Efficiency
- Climate Change

The skills and expertise for driving the Environmental Sustainability agenda exists within both Authorities. The strategies in place are broadly similar and are designed to address the following key Environmental Sustainability issues:

- Cutting CO2 emissions to deliver against nationally set targets for all Public Sector organisations.
- Carbon Reduction Commitment Energy Efficiency Scheme (CRC) is a cap and trade scheme which will place the Authority in a league table based on CO2 emissions with other organisations and businesses. Failure to obtain a good position could see the Authority financially penalised.
- In the long term, CO2 reduction will contribute significantly to cost reduction initiatives by ensuring that the Authority is more efficient with its energy and travel use.
- Giving rising energy prices, efficient energy consumption, is playing a key role in reducing costs to the respective authorities.

3.11.2 Scale of operation

Hartlepool's service consists of 3 FTEs and a budget of £120,167. Darlington does not provide this service as a discrete service.

4 Potential opportunities and Operating Model

4.1 Overview of the potential opportunities

Collaboration between the Authorities, across a number of these services, ranging from utilising a common contractual framework through to a fully integrated service has been tested with a mixture of success and challenge.

Testing the practicality of integrating these services has recognised both the opportunity to deliver a resilient service on a more sustainable financial footing as well as the constraints of providing these services, specifically in terms of delivering upon local priorities and geography.

Through the evaluation of each function there does appear to be material benefit from consolidating these functions, as shown below. The level of saving and the structure of such an integration (explained later in this section), is dependent upon full scale service integration across other departments between both authorities. Any deviation from this assumption will reduce the scale of savings identified, in particular those predicated on economies of scale, and the effectiveness of the functions in scope of this report.

Service Area	Darlington Addressable Budget	Hartlepool Addressable Budget	Total Addressable Budget	Potential Cost Saving Range		Potential Saving as %	
				Low	High	Low	High
Integrated Transport Unit	1,377,930	975,270	2,353,200	140,000	210,000	5.9%	8.9%
Joint Fleet Management & Maintenance	1,510,500	1,459,656	2,970,156	140,000	230,000	4.7%	7.7%
Collaborative Building Works	1,241,323	1,231,207	2,472,530	50,000	120,000	2.0%	4.9%
Collaborative Building Cleaning	1,420,200	2,132,420	3,552,620	70,000	280,000	2.0%	7.9%
School Meals	1,640,767	3,087,933	4,728,700	120,000	240,000	2.5%	5.1%
Joint Street Lighting Maintenance and Procurement	490,705	352,410	843,115	20,000	40,000	2.4%	4.7%
Street Cleaning	961,700	1,061,605	2,023,305	80,000	140,000	4.0%	6.9%
Grounds Maintenance	1,862,000	1,590,144	3,452,144	70,000	170,000	2.0%	4.9%
Joint Provision of Traffic Management Related Works	181,345	422,756	604,101	60,000	90,000	9.9%	14.9%
Management Restructuring				30,000	30,000		
Total	10,686,470	12,313,401	22,999,871	780,000	1,550,000	3.4%	6.7%

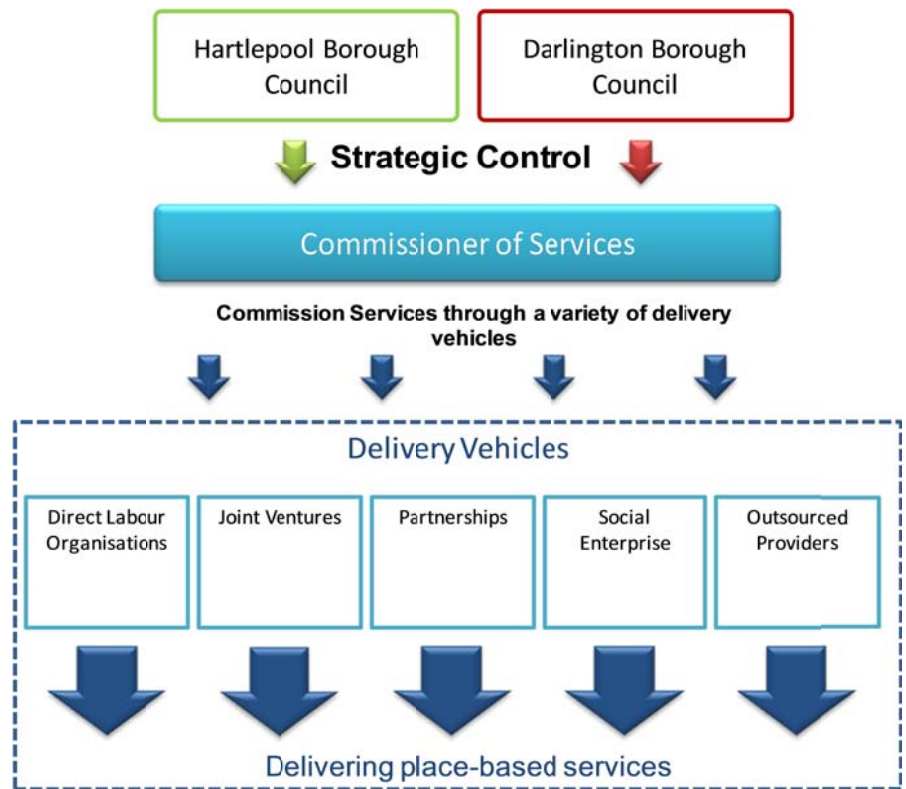
It should be noted that these figures are only high-level savings estimates and have been rounded to the nearest £10,000. Further due diligence and a detailed business case will be required to apply further robustness to the level of savings expected from each of these Service Areas.

The budget figures quoted in the table are the addressable spend as defined by each service as opposed to gross budgets. More detail regarding the composition of this can be found in the relevant section for each service.

The following section will describe the opportunities for delivering the level of savings identified in the table above. These savings are to be achieved from merging services and increasing scale. Creating a larger service will provide opportunities for a more sustainable financial future in the medium to longer term and create greater opportunities to improve and adapt the service to meet changing local priorities.

4.2 Potential Strategic Operating Model

The potential operating model consists of both Authorities having strategic control in terms of setting out the priorities and policies for their respective areas with a joint commissioning function that utilises a number of different delivery vehicles.



The implications of delivering this type of model and realising the estimated level of savings identified require adoption of the following design principles:

Policy and Management

- Service levels/standards will be harmonised (where local priorities allow) to deliver the effective and resilient service expected by both Authorities.
- Members will continue to control and dictate the local priorities and set the local policy against which the shared set of services will need to deliver.
- A single management team will manage the services across both Authorities and will be responsible for the operation of the shared service for both Authorities.

Commissioning and Delivery

- The integrated delivery arms will be commissioned by service areas to support the requirements/policies of the respective localities.
- Procurement of services, supplies and works from the market will support the delivery of these services across both Authorities.
- The approach to service delivery will be consistent for both Authorities to ensure the maximum financial benefit can be realised.

Assets

- Assets will be managed by the shared organisation and will have a primary focus upon one or other Authority.
- Where practically possible, assets will be shared between the Authorities.

When considering such a full scale merger of these services, the following considerations should be taken into account:

- The opportunities resulting from a potential merger and the associated savings estimates will assume that the new operation would be integrated and redesigned, drawing upon the right skills and expertise from both Authorities.
- Through integration, the combined service will be required to adopt a standardised approach from delivery methods through to the types of assets managed and maintained.
- Jointly procuring from the market will include combining the buying power of both Authorities to deliver the maximum reductions in services, supplies and works.
- The asset base can be rationalised through collaboration, especially across those which are not specialist. The utilisation of these assets will be increased as they are covering a larger geographic area.
- Officer relationships with Members and with local partners and stakeholders may need to change in a joint service. In several of the services under consideration there are strong relationships between managers and Members which would need to be handled in a different way where managers were responsible for both Hartlepool and Darlington services.

4.3 Integrated Transport Unit

There is an opportunity to join the provision of children and adults community transport between both local authorities which will be made up of the following characteristics:

- The joint service will have the ability to support the needs of its service users whether it is administered through different or a single local policy.
- Single management structure for the service.

- Single or integrated route optimisation system that is capable of routing/scheduling the provision of transport across both areas.
- Jointly commission transport to support across both Authorities.
- The workforce will bring together the skills, expertise and insights of the local area into a single service that will be capable of commissioning transport across both areas.
- Service areas within the respective Adults and Children’s departments will retain their client-side role and commission through this joint service which will include setting policy delivered through these delivery “arms”.

This opportunity presents the following options:

- Option 1: Joint provision of adult and children community transport across both Authorities
- Option 2: Broaden the opportunity to cover Tees Valley
- Option 3: Local Public Sector model where transport requirements are broaden beyond adults and children’s community transport to cover the transport needs of the Health sector and other public bodies.

Potential Benefits

Given that there are differences in costs and service levels between both Authorities for both the internal and external provision of passenger transport, as a result of service integration, the proposal is to harmonise the service to achieve a range of 2% to 5% savings on external provision and a reduction in FTE of 2 transport officers, 0.5 administration post and 0.2 Head of Service.

By applying this principle it has been estimated that savings for a single Integrated Transport Unit will range from £140k to £210k. However, it should be noted that greater savings by each individual authority could be achieved from a whole Tees Valley solution.

The areas where these savings could be realised are stated in the table below:

Opportunities	Opportunity for savings
Joint Commissioning of External Transport	<ul style="list-style-type: none"> • Joint commissioning of external transport should provide more opportunities to negotiate lower rates with suppliers and create greater opportunities for further controlling external expenditure.
Management reductions	<ul style="list-style-type: none"> • Through combining both services, there should be reductions in management and a reduced yet

Opportunities	Opportunity for savings
	proportionate workforce with the right skills and expertise to deliver across both areas.
Income generation	<ul style="list-style-type: none"> Broadening the role of the ITU to deliver transport services for other authorities as well as other public sector organisations will generate a larger and more flexible transport fleet.
Route Optimisation	<ul style="list-style-type: none"> Utilising routing optimisation systems to co-ordinate the most cost effective routes using the in-house fleet and external suppliers.

Other key benefits arising from merging the services in this manner will be the following:

- Operating a single adults and children community transport fleet across a larger area will increase the utilisation of vehicles. In reality this may not be feasible as Adult and Children Social Care users will require the fleet at the same time in both locations.
- Utilising a larger transport fleet and commissioning from a larger budget will create additional capacity and resilience.
- Revenues can be increased by integrating the established income stream, within Hartlepool Borough Council, into the shared service and offering this facility to other organisations on a larger scale. This will be subject to legal advice.

Key considerations

The following should be taken into consideration before this opportunity is pursued:

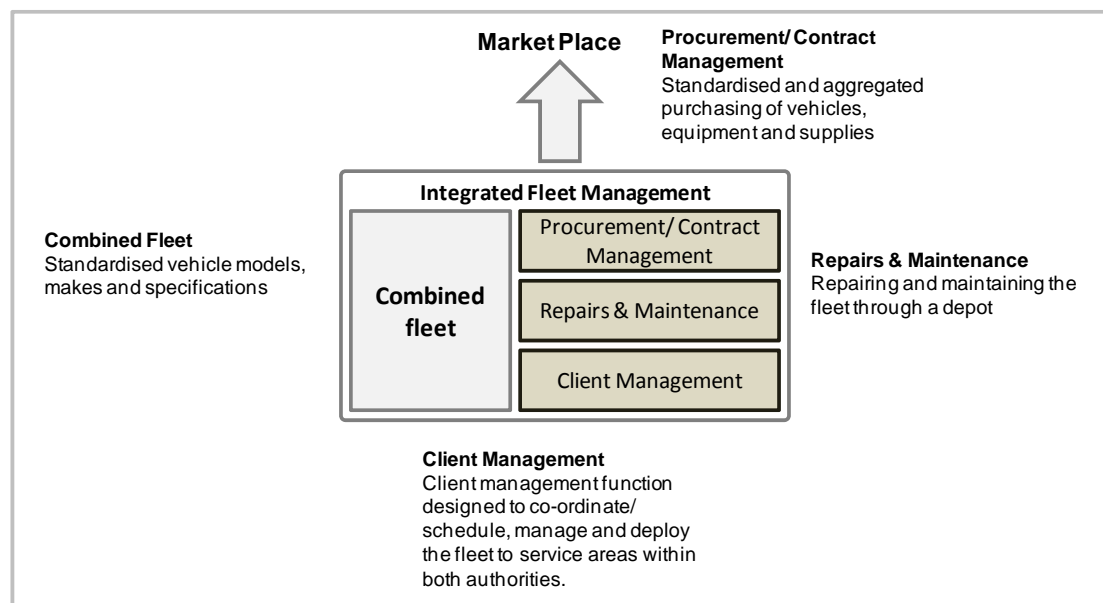
- Currently both Authorities operate different route optimisation systems and practices and the costs / benefits of integrating or replacing either of these systems need to be understood to deliver such a service effectively. An assessment of these systems has already been carried out in Hartlepool Borough Council and a similar exercise will need to be conducted with Darlington Borough Council.
- Local policy differences can create additional/unnecessary costs in terms of demands upon the joint commissioning arrangements.
- Given the geographic coverage and remit of both Authorities' transport requirements, there may be limitations to the extent of integrating routes: this could reduce the level of efficiencies. Additional work will need to be undertaken to test whether redesigning transport routes can deliver an effective joint service and secure savings.

4.4 Joint fleet management & maintenance

Fleet management and maintenance is a critical function that supports the delivery of a number of critical frontline services for both Authorities and operating this service collaboratively can provide greater operational flexibility and resilience as well as provide both Authorities with the opportunity for cost reduction.

Vision

Both Authorities will implement a joint fleet management and maintenance function. This function will continue to administer, co-ordinate, maintain and procure vehicles on behalf of both Authorities. The diagram below illustrates a high level representation of this model.



There are a number of options to implementing such a model:

- Option 1: Joint Procurement of vehicle fleet, large plant, fuel supplies and equipment by standardisation of purchasing requirements between both Authorities.
- Option 2: Integrated fleet management function for Darlington Borough Council and Hartlepool Borough Council
- Option 3: Integrated fleet management function for the Authorities in the Tees Valley

Each of these options could possibly be delivered internally or through an outsourced arrangement.

Potential Benefits

Under a joint fleet management and maintenance service, the savings have been estimated of the new service achieving savings of 2% to 5% on vehicle replacement costs and supplies and services and FTE reduction of 1 fitting shop manager post, 1 fitter post and 0.2 Head of Service post. On this basis, the potential level of savings estimated could be in the range of £140k to £230k.

It should be noted that it is estimated that more significant savings by authority can be achieved by procuring Fleet on a whole Tees Valley basis.

The areas from which the savings estimates can be realised are outlined in the table below:

Opportunity	Potential areas for savings
Procurement of vehicles, equipment and supplies	<ul style="list-style-type: none"> Standardised and aggregated purchasing requirements (vehicles, equipment/supplies) should deliver larger reductions in unit cost. Additional savings would be expected through a reduction in the volume of vehicles purchased and replaced.
Rationalised and proportionate workforce	<ul style="list-style-type: none"> Nominal reductions in maintenance managers and fitters: A combined standardised and integrated fleet could require a smaller, yet more focused set of skills and expertise.
Management restructuring	<ul style="list-style-type: none"> Reductions in management structure and administration: Operating a single fleet management and maintenance operation will rationalise the numbers of management and administrative staff who work within departments.
Rationalising depots	<ul style="list-style-type: none"> Rationalising the number of depots: the potential to consider rationalising the number of depots and focussing on delivering higher performance through more cost effective locations.

The key service benefits from implementing such a collaborative model are:

- Greater resilience in delivering the service and an increased ability to deal with fluctuating demand will be delivered by a single pool of vehicles available to service areas across both Authorities.

- Improved utilisation of vehicle assets where the fleet will look to carry fewer spare vehicles and cover larger areas.

Key considerations

The following should be taken into consideration before this opportunity is pursued:

- In principle, savings can be achieved through jointly procuring vehicles between both Authorities and potentially with other organisations also participating in this process. However, due to high price competition in this market, demanding substantially lower prices may be challenging and it will be key to produce economies of scale through standardised specifications and standards.
- A single and rationalised fleet, operating across a larger geography, is expected to require more maintenance time and pressure upon the depot and fitters to reduce the 'down-time' of vehicles.
- The location of the depots will be critical in generating the level of savings required. There will be practical and distance related issues if the locations are not appropriate. The destinations of these vehicles and staff collecting and returning vehicles from the depot will have an impact of the efficiency and effectiveness of the service to both Authorities.
- Savings from the fleet can come from evaluating new purchases on a whole-of-life basis rather than purchase cost basis. For example, if the fuel efficiency is better in a more expensive vehicle and the standard maintenance frequencies are lower, then it will often be more cost-effective to buy a more expensive vehicle.
- The impact on spares and fitter knowledge to support the fleet is critical to the efficiency of the operation. A standardised fleet of makes and models could reduce the range of spares to be held and the cost of training fitters.
- Operating a single fleet management and maintenance service for both or more Authorities will require a standard level of service, if efficiencies and service quality are to be maintained.
- There could be a risk that vehicles which are critical to the local authority during particular times of the year, for example, the winter maintenance vehicles, may be over stretched especially when trying to cover two separate areas and may not be as effective as operating as a separate fleet management service.

Market insight

Local authority highway and transport departments face significant financial challenges arising from general revenue pressures as well as reductions in local transport capital grants, concessionary grants and bus subsidy grant. These pressures are driving changes to service delivery arrangements through collaboration and smarter procurement. The costs of replacing, managing and maintaining local authority fleet is coming under increased scrutiny, exacerbated by rising fuel costs and carbon management objectives. Fleet maintenance is typically provided internally, providing support to a range of front line local authority services. Some of the challenges local authorities face include:

- rationalising fleet, maintaining service levels based on fewer vehicles with increased utilisation;
- improving processes to evaluate vehicle viability compared with the cost of repair to ensure that fleet is not maintained beyond its economic life;
- improving data and performance indicators such as individual workshop fitters' performance; maintenance costs per vehicle and per vehicle mile;
- considering the impact of current or future outsourced services on the economic viability of continued in house provision of the fleet service; and
- developing an affordable vehicle replacement strategy.

There is an established private sector fleet market (e.g. TransLinc which manages over 4,000 vehicles across 50 local public sector clients). Such organisations provide benchmark data in terms of maintenance costs, labour rates and service times. In addition, some local authorities are considering maintenance collaboration with other parts of the local public sector. This could include neighbouring local highway authorities, police, fire and primary care trusts. While each of these organisations will clearly have bespoke vehicles and requirements, there will be a significant element of standard vehicles which where combined onto a common specification and /or supply chain may deliver cost savings. Some examples of local authorities considering a joint approach to fleet management and maintenance include:

- Eight Clyde Valley local authorities (East Dunbartonshire, West Dunbartonshire, North Lanarkshire, South Lanarkshire, Renfrewshire, East Renfrewshire, Glasgow, Inverclyde) who are considering a model of integrated service delivery including a joint and streamlined approach to fleet management and maintenance.
- Warwickshire County Council and Warwickshire Police who are considering the development of a Joint Venture designed to deliver fleet maintenance and fleet management services to both organisations.
- South Tyneside Council who are seeking significant financial savings in vehicle maintenance through increasing income from MoT testing services (a service which Hartlepool also already offers) and joint working with other local authorities.

4.5 Collaborative building works

There is a strategic opportunity to implement a collaborative approach to building works across both Authorities which would consist of the following elements:

Option 1: Joint internal provision of building works, excluding capital.

- A jointly pooled, combined and proportionate workforce with the right balance of skills and expertise and joint management structures.
- Jointly procuring equipment and supplies to support this service.
- Commissioning of building works will be centrally prioritised at each Authority and co-ordinated with resources deployed to the appropriate buildings.

Option 2: Outsourced provision with the above characteristics will also be considered.

Potential benefits

The basis of the savings analysis has taken into account the difference in scope of buildings covered within the revenue budgets. Under a joint building works service, a savings range of 2% to 5% on gross budget has been estimated. This would achieve a range of savings between £50k and £120k.

To deliver the savings estimates identified on a cost per operative basis, the following areas could be addressed:

Opportunity	Potential areas for savings
Harmonising pay	<ul style="list-style-type: none"> • A combined service will inherit different paycales from the originating organisations. By harmonising pay, which makes up a largest proportion of cost in this area, it is expected a large proportion of spend could be saved whilst maintaining the size of the workforce.
Integrating the cyclical and reactive approach to building works	<ul style="list-style-type: none"> • Integrating the approach and frequency of building works should provide opportunities for both sharing resources and reducing headcount on a targeted basis.
Rationalised accommodation	<ul style="list-style-type: none"> • Based upon the property strategy employed, rationalisation of the estate will create opportunities for a reduced and proportioned workforce.
Aggregating procurement of supplies and services	<ul style="list-style-type: none"> • Aggregating purchasing requirements for external maintenance provision, where possible, will create opportunities to exploit reduced rates.

Opportunity	Potential areas for savings
	<ul style="list-style-type: none"> Aggregating purchasing requirements across supplies and services should reduce costs in this area.

The benefits of an integrated building works service are as follows:

- Combining the building works services will maintain local employment and knowledge of Authority services.
- Greater resilience can be expected from a joint service and a capacity for sharing resources, if the opportunity arises.
- Savings would be expected from a pooled and proportionate management of the broad service.

Key considerations

- The accommodation strategy within both Authorities will play a large role in determining the costs of operating this joint service. If the estate is consolidated as part of an internal initiative, there may be a requirement to scale-down the service proportionately, which would deliver additional savings.
- Control and quality of service would be lost if the service were delivered through an outsourced arrangement.
- The split between internal and external income needs to be carefully assessed when considering any form of collaboration in order to ensure that existing income streams are not compromised.

Market insight

It is difficult to assess the market for hard FM services without considering the related soft FM services of cleaning and to a lesser extent catering.

We often see that these services are not considered in isolation as there is a relatively mature market and service delivery models are often looked at in the context of single service, the bundling of services and larger integrated service provision. To this extent the consideration of cleaning and catering is usually looked at with hard FM services in the context of these three models.

Best in class

A mature external service provider market exists for each of the sub-services within FM (e.g. Hard FM, Cleaning etc) and the approach sees the best-in-class service providers for each sub-service and delivers that sub-service to all participating authorities under a single contract and common specification.

There would therefore be a basket of best-in-class contracts to be managed by the authorities for the sub-service and DLOs could be incorporated into these contracts if they are shown to be the best-in-class provider. This approach also facilitates the inclusion of small and medium sized service providers, many of which may be locally based, due to the smaller size of potential contracts

Solihull MBC has used a best in class model for the provision of building fabric maintenance and M&E maintenance and believes that this model has reduced its costs by 40% although we are unable to substantiate this claim. Another example of an organisation using or implementing this supply model is the London Organising Committee of the Olympic Games (LOCOG) which is selecting the best in class supplier for each FM service and is focusing on incorporating local suppliers.

Bundling of services

The external service provider market is able to carry out more than one sub-service through bundling certain similar services – typical service bundles recognised by the market include:

- Hard FM
- Soft FM (including or excluding catering)
- Estates management
- Design and Technical services

This approach facilitates economies of scale. Service delivery would still be by specialist service providers typically dedicated to specific service areas, this is a well established model. Organisations using this supply model include Defra Estates, BBC, British Telecom and many others.

There is a small number of service providers each tasked with delivering a bundle of sub-services to all participating authorities under single contracts. Service providers will typically be of a larger size although some bundles may be accessible to local SMEs. Service co-ordination is via a single helpdesk so that end users have a single point of contact for accessing the service. This could be a single helpdesk across all service bundles or bundle-specific, increasing efficiencies and reducing headcount. With a reduced number of suppliers the size of the client team involved in contract management, assurance, and administration could be reduced even further under the best-in-class model.

Integrated service provision

An emerging trend in the outsourced service provider market is the Integrated Service Outsourced model. This is a further progression of service bundling. A single service provider is responsible for the delivery of all facilities management, programme management and estates management services. Construction services generally fall outside of this model and are procured separately. To deliver these broader bundles of services, suppliers may subcontract services or form joint ventures with other service providers.

Examples of organisations using or implementing this supply model include Southwest One and Buckinghamshire 'Pathfinder' Shared Services project. Essex is currently in the

process of procuring under this model and is targeting savings of 12.5% off a less fragmented supplier base.

This option is characterised by a single contract with a single delivery organisation responsible for the delivery of all services, the delivery supply chain is fully controlled by the service provider and the contract can be a fixed price with a savings profile. Service providers will typically be large multi-disciplinary service delivery organisations and SME input will be at the discretion of the service provider.

Service co-ordination will be via a single, supplier provided helpdesk. This will provide end users with a single point of contact for accessing the service.

As well as the above models being prevalent in the market we are also seeing a growing move towards the development of formal partnering or joint venture arrangements. There have been a number of these in the social housing repairs and maintenance market such as in Sheffield and in North Tyneside where Joint Ventures have been created to deliver maintenance services and to attempt to generate additional revenues from third parties. The social housing repairs and maintenance market in Yorkshire and North East has a large number of private sector providers working with clients such as Gateshead Housing Company, Leeds City Council, Hull City Council, Rotherham Council etc and some of these players are looking to expand their service provision into the provision of repairs and maintenance services across the Local Authority estate.

The joint venture/partnering models being developed include the following attributes:

- The participating authorities providing the staff while the partner may invest in the relationship in the form of management and/or technology.
- The rewards of the partner may be linked to reductions in estate-related costs.
- The interests of the partner are aligned to those of the authorities more closely than would be the case in a traditional outsourcing contact.
- The joint venture may be entered into between one authority and a private sector partner initially, with provision to extend the relationship over time. However, this will delay the delivery of potential collaborative benefits.

A formal joint venture between authorities, without private sector participation, is a variant of this opportunity, Norfolk Property Services (NPS), a commercial trading arm of Norfolk County Council, has created commercial partnerships with various local authorities, often in the form of joint venture companies, for the purposes of delivering property-related services. The most recent collaborative venture between NPS and a local authority was the creation of a new company with Barnsley MBC that has seen the transfer of 130 members of staff. The vision for the new company includes the provision of services to other local authorities in the Yorkshire area.

The services transferred to 'NPS Barnsley' in February 2011 comprised:

- Contracts and procurement
- Asset management
- Architectural services
- Works delivery

V1.0 FINAL	Collaboration Feasibility Project: Environmental	13/07/11
------------	--	----------

NPS has created partnerships to deliver services to other authorities including Wakefield Council, Stockport MBC, South Lakeland District Council, Hull City Council and Devon County Council.

4.6 Collaborative building cleaning

There is a strategic opportunity to implement a collaborative approach to building cleaning across both Authorities which would consist of the following elements:

Option 1: Joint internal provision of building cleaning.

- A combined and proportionate workforce with the right balance of skills and expertise.
- Jointly procuring equipment and supplies to support this service.
- Commissioning of building cleaning will be centrally prioritised for each Authority and co-ordinated with resources deployed to the appropriate buildings.

Option 2: Outsourced provision with the above characteristics will also be considered.

Potential benefits

Savings are believed to be in a range of 2% (if the service is simply combined and provided in-house) to 8% (if the combined service is completely outsourced), giving savings of £70k to £280k. To deliver the savings estimates, the following areas could be addressed:

Opportunity	Potential areas for savings
Joint purchasing of supplies and services	<ul style="list-style-type: none"> • Aggregating supplies and services spend into the single merged service will contribute towards some of the savings identified.
Harmonising pay	<ul style="list-style-type: none"> • Recognising the differences in pay scales, bringing the pay across the workforce to a common standard should contribute significantly to deliver the estimated level of savings identified, whilst maintaining the size of the workforce.
Standardising the frequency and levels of service	<ul style="list-style-type: none"> • Standardising the service levels of cleaning across the properties in scope will create opportunities for maximising the workforce and create greater opportunities for workforce rationalisation.
Property rationalisation	<ul style="list-style-type: none"> • The current workforce is currently proportionate to the number of properties in scope of this service. As additional properties are rationalised, the level of workforce will be proportionately reduced.

Depending on the option chosen above, some, but not all of the benefits outlined below will apply.

- Combining the building cleaning services will maintain local employment and knowledge of Authority services.
- Creates a greater level of resilience and capacity for maintaining service standards.
- Savings could potentially accrue from an outsourced arrangement across the two Authorities or across the Tees Valley.

Key considerations

- The accommodation strategy within both Authorities will play a large role in determining the costs of operating this joint service. If the estate is consolidated as part of an internal initiative, there may be a requirement to proportionately scale-down the service which would deliver additional savings.

Market insight

As described in the previous section, our experience is that building cleaning is generally considered in the context of the wider provision of both hard and soft FM and on occasion is procured or delivered on a best in class basis as described previously and thus our previous comments should be considered for cleaning.

This does provide the opportunity to have a greater involvement of SMEs, but has the disadvantage of a greater number of interfaces to manage. Thus there is a limited scope to reduce the overall cost of management.

The provision of cleaning is a relatively mature market for external provision and many public sector clients are currently looking at this as a back office service rather than key to the delivery of frontline services. To emphasise this move from core to non-core business we have recently been in discussions with a police authority which has a large property portfolio about their options for service delivery. Previously they have felt that the in house cleaning service needed to be conscious of the culture of the police sector and had to be directly employed whereas they are now considering this in the context of any potential savings and the actual benefits or risks that externally provided provision would bring.

Examples of where cleaning has been incorporated into a wider FM solution include the London Borough of Hillingdon, which has a seven-year FM contract with a private sector operator to provide cleaning to a variety of buildings from residential homes to libraries, and community centres. The provider sources individual suppliers from the market place and would need to consider the use of SMEs as part of an overall value for money solution to the Authority.

4.7 Collaborative catering

There is a strategic opportunity to implement a collaborative approach to catering across both Authorities which would consist of the following elements:

- A combined and proportionate workforce with the right balance of skills and expertise.
- Jointly procuring equipment and supplies to support this service.
- The ability to generate additional income for the service by using best practice/ideas from across the two Authorities.
- The ability to provide the required service at a lower cost to end users.

Outsourced provision with the above characteristics will also be considered.

Potential benefits

When identifying the potential savings estimates, it is critical to note the key differences in the provision and scale of both Authorities' school meals operations which contributes to their respective costs of service. These are fundamentally:

- Hartlepool operates a choice-based menu whereas Darlington has a fixed menu. It should be noted that Hartlepool is currently exploring moving towards a fixed menu.
- The number of schools served between the two Authorities is different and will continue to change as more schools move to Academies.

If option 1 is chosen, bearing in mind these differences and on the basis that Hartlepool does adopt a fixed menu, the savings that could be delivered are assumed to be in the range of 2.5% to 5%, giving savings of between £120k and £240k.

At this stage it is not considered that commercial catering will generate any savings to either of the two Authorities.

To deliver the savings estimates, the following areas could be addressed:

Opportunity	Potential areas for savings
Joint purchasing of supplies and services	<ul style="list-style-type: none"> • Supplies and services is a large area of spend which through aggregation should deliver economies of scale through reduced rates.
Harmonising pay	<ul style="list-style-type: none"> • A combined service will inherit different paycales from the originating organisations. By harmonising pay, which makes up a largest proportion of cost in this area, it is expected a large proportion of spend could be

Opportunity	Potential areas for savings
	saved whilst maintaining the size of the workforce.
Schools moving towards Academy status	<ul style="list-style-type: none"> With more schools becoming Academies, the requirement for the Authority to offer school meals could be reduced significantly. This will have an impact on the scale of the operation and will deliver additional savings through reductions in the size of the overall service.

Key Considerations

- Combining the catering services will maintain local employment and knowledge of Authority services.
- Savings would be expected from a pooled and proportionate workforce.
- The ability to generate additional income from joint internal provision.
- The Authorities need to assess whether this is a service that is core business and they wish to ensure that it delivers income to the Authorities or whether this should be provided by other organisations in the future.
- As Academies continue to shift away from purchasing Authority catering services and look to the market to fulfil catering needs, pressures on maintaining in-house catering services will continue to increase.

Market insight

It is estimated that public sector organisations spend more than £2 billion on catering services each year in England. There are a vast number of buying points for these services and, through collaboration and better supply chain management, local government has an opportunity to achieve efficiency savings.

There are varied approaches to catering in local government with some authorities maintaining in-house catering services and others outsourcing parts of the service (e.g. civic offices, education, social services etc.). Others have outsourced part, but have brought services back in-house over time.

Given that local authorities and other public sector organisations have common requirements for catering services, there is obvious potential for collaboration to increase buying power to achieve these savings, whether services are maintained in-house or outsourced. There is also an opportunity to achieve savings through better

contracting and contract management.

The National Audit Office produced a report in 2006 entitled 'Smarter Food Procurement in the Public Sector' which suggested that additional annual efficiency gains of £224m across the whole of the public sector, including local government, could be achieved by 2011. Although, at this point in time there is no evidence to suggest these level of savings have been achieved. The report presented findings in respect of catering service procurement which apply to local government, including:

- The price paid for food items varied considerably across the public sector. Sharing best practice around procurement and / or collaborating with other public sector organisations can help positively address the variation in prices paid.
- Take up of catering services is vital to financial viability of the service. Therefore, the volume of food purchased offers an opportunity to reduce unit costs.
- Where catering services were outsourced there was a lack of transparency around the suppliers' charges; e.g. major catering firms were found to obtain volume discounts of around 12% but these were not passed on to the public sector.
- There is no evidence of public bodies passing on kitchen utility costs to suppliers. Hence, suppliers have no incentive to increase on site resource efficiency.

As well as aiming to reduce the service cost, there are examples where local government has moved to income generation by operating a commercial catering business that supplies other public sector organisations. For example, Durham County Council provided catering through their commercial operation to Durham Police Constabulary, Fire Services, Leisure facilities, social care facilities, county hall and other commercial kitchens in the area. However, school meals in the region are outsourced to an external supplier as in many other instances across England.

4.8 Joint street lighting maintenance and procurement

There is an opportunity to improve the performance of the service at lower costs of delivery through collaboration between both Authorities as a model to then expand to other authorities.

Option 1: Joint internal provision

- A single Street Lighting Repairs and Maintenance service delivering a service across both Authorities.

Option 2: Joint outsource arrangement

- A different route for delivering savings can be by the co-outsourcing of Street Lighting repairs and maintenance. Based upon market testing, both Authorities could have the opportunity to deliver larger savings than possible through a joint arrangement.
- This model could also deliver further savings if additional authorities were to join on a Tees Valley basis.

Potential benefits

If option 1 is chosen an estimated saving range of 2% to 5% has been applied to all revenue spend excluding energy costs. This provides savings in the range of £20k to £40k.

To deliver the savings estimates identified on a cost per street light basis, the following areas could be addressed:

Opportunity	Potential areas for savings
Combining purchasing power of street lighting equipment and parts	<ul style="list-style-type: none"> • Collaboratively procuring street lighting equipment and parts and implementing a standard specification will create an increased level of committed volume to the market by aggregating the Street Lighting requirements across both Authorities.
Regional buying power for street lighting equipment and parts	<ul style="list-style-type: none"> • Collaboratively procuring Street Lighting equipment and parts through the Tees Valley Procurement Group should generate a larger level of savings for both Authorities if equipment, parts and Street Lighting designs were standardised. This will be a longer term strategy, but can be seen as a
Efficient energy management	<ul style="list-style-type: none"> • The opportunity to reduce the cost of energy through efficient energy usage/consumption, the adoption of energy saving technology or policies such as dim and

Opportunity	Potential areas for savings
	trim.

Key considerations

- Capital investment may be required to standardise Street Lighting equipment, parts and designs across both Authorities in order to exploit the savings that may arise from aggregating procurement requirements and to benefit from energy saving policies and technology.
- Local priorities which have an impact on the provision of street lighting in the local area may be an area for discretion. Such changes can be as a result of local priorities designed to reduce crime and increase road safety. This may have cost implications and depending upon the option pursued, will need to be taken into account to ensure that it is still financially viable.

Market insight

The street lighting market has been transformed in recent years through the Street Lighting PFI Programme set up by the Department of Transport. This provided capital investment of over £1bn to replace new lighting stock spread across 29 local authorities in England including projects in Redcar and Cleveland, Sunderland, South Tyneside, North Tyneside, Newcastle, Leeds City Council and Wakefield Council.

This programme has been delivered by a relatively small number of contractors which includes David Webster, Balfour Beatty, SSE Contracting and Amey. Regardless of the advantages and disadvantages of the street lighting PFI programme it was a good example of local authorities working together as a number of the projects included the joint provision of services across a number of Councils, for example Newcastle and North Tyneside, the South Coast project and Oldham and Rochdale.

These experiences, the move to carbon reduction and the opportunity potentially to invest in consumption reducing technology, has led to an increased appetite by these suppliers to provide street lighting repairs and maintenance services to the local authority sector.

Their ability to procure components using their purchasing power, changes to terms and conditions of staff, and their management of the REC’s for the provision of connections services has provided them with the ability to provide a value for money service to a number of local authorities.

Local authorities who are using private operators to provide these services include Plymouth City Council, Calderdale Metropolitan Borough Council and Herefordshire Council. As part of these types of contracts operators are increasingly looking to include investments in dimming and trimming technology on an invest-to-save basis where this can be justified to make commercial sense for both parties.

Given the geographical position of Darlington and Hartlepool and the Tees Valley between the two large conurbations of Tyne and Wear and West Yorkshire which both have a number of large street lighting PFI operators there is the opportunity that the Authorities could have a highly competitive market for the external provision of these services if they were to consider this option.

Clearly the business case for provision by an outsourced provider would have to assess the financial and non-financial aspects of taking this course of action and some of the potential benefits could be realised through a joint in-sourced model of service provision.

Tayside Contracts is a local authority contracting organisation that provides a host of services to the Councils of Dundee and Perth & Kinross. These services include catering, cleaning, roads maintenance, vehicle maintenance and winter maintenance as well as the provision of Street Lighting services.

The partnership covers in the region of 23,000 street lighting units in Dundee and similar numbers in Perth and Kinross. Historically it has managed to receive a considerable element of its fee income from developments outside of the Authorities' street lighting budget.

4.9 Joint Street Scene provision

There is a strategic opportunity to collaborate across these services because of their common nature of provision. The opportunity to collaborate can be across management structures, procurement of equipment and supplies, delivery staff and Authority-owned assets. There are two delivery models which can generate savings for both Authorities. These models are:

Option 1: Joint internal provision

- A single set of 'Street Scene' services operated on behalf of both Authorities should be able to tailor to the local needs of the respective Authority.
- A single joint service can also provide opportunities for commissioning services in a variety of ways that will deliver the best value for money for both Authorities.

Option 2: Joint outsource arrangement

- Depending upon the market tests, a joint outsourcing agreement between the two Authorities for a single or package of services, can deliver value for money for both Authorities.

Potential benefits

The savings estimates are in relation to option 1 and have been split into two areas Street Cleaning and Grounds Maintenance.

- **Street Cleaning**

The savings estimates have been based upon an assumed 2% to 5% savings range from joint working alone (based on staff and services and supplies costs only – transport costs are considered under the Fleet Management opportunity) following the removal of 1 Head of Service post. Applying this as a basis of estimating the level of savings, we believe there is an opportunity to reduce costs by between £80k and £140k.

- **Grounds Maintenance**

Using a similar method to Street Cleaning, a 2% to 5% savings range has been applied to the gross budget with the removal of transport costs (covered under the Fleet Management opportunity). Applying this as the basis for estimation, savings in the range of £70k to £170k could be achieved.

To deliver the savings estimates identified, the following areas could be addressed:

Opportunity	Potential areas for savings
Rationalising Workforce	Under a single service, there are opportunities to combine the management structure, reducing some management posts and also providing greater resilience and capacity within the lower levels.
Pay Harmonisation	The establishment of a single service will inherently require pay scales to be harmonised which will deliver a larger proportion of the savings identified.
Combining purchasing powers	Reductions in unit costs of purchasing whole-services or supplies, equipment, fuel and vehicle hire across the two Authorities will be expected through aggregated requirements and standardised specification.
Increasing the utilisation of street cleaning assets	Sharing generic equipment between the Authorities and developing an integrated cleaning/grounds maintenance rota with day/night shifts may increase equipment utilisation and create some opportunities to reduce the required size of the street cleaning fleet on a tactical basis.

Key considerations

Option 1: Joint internal provision

- Delivering an optimum level of efficiencies by identifying the better performing service from either authority and growing the size of the service proportionality to take over responsibility of delivery across two organisations.

Option 2: Joint outsource arrangements

- Outsourcing can be considered if the right services can be ‘packaged’ for the market to offer a lower price than that delivered internally.
- Outsourced services can deliver cost savings especially in mature markets such as these. Some experience of poor service and high costs from outsourcing contracts has been typically due to poor transition arrangements from internal to external service provision. The risk of this can be reduced significantly by detailing the appropriate clauses/safe guards into the contract (client and supplier expectations) and organisations setting up appropriate and robust supplier management governance and functions.

- Under such an outsource arrangement, both Authorities will need to create a joint supplier management function which will monitor and liaise with the provider.

Irrespective of the delivery model, to achieve a material level of savings for both Authorities, service standards and methods of provision will need to be simplified and made common to both. It should be noted that any differences in the operation and delivery of these services can attribute to additional/unnecessary costs.

Market insight

Some authorities have achieved both service improvements and cost reductions by extending the scope of “street scene” to include dog wardens and on-street parking management alongside close coordination of the cleansing operations with refuse collection and highways management. The benefits include:

- Ensuring that (where practical) street sweeping follows verge grass cutting and refuse collection rounds.
- Parking inspectors provide information on highways issues, e.g. raised paving slabs (trip hazards), dog fouling, overflowing litter bins, faulty street lighting / signs, damaged street furniture, litter problems, etc.

Past work by Deloitte with DSOs has demonstrated that the best managed in-house cleansing and waste management services should always beat the private sector on price. The reasons for this are that:

- Private sector providers expect to make a return on turnover of around 12-15% to cover additional central overhead / management costs and profit.
- Private sector providers’ profits will be subject to corporation tax.
- Outsourced services require some level of client / contract management to be put in place which adds client cost to the outsourced option.
- If in-house teams use national frameworks and other ways to minimise supply costs, e.g. the cost of plant and vehicles, their non-staff costs should be reasonably competitive compared with private sector service providers.
- Whilst the private sector may endeavour to eliminate the costs of TUPE over time, they are largely unwilling to build the risk of achieving this into the bids, i.e. if they achieve it, the benefit simply results in better profit than planned for the provider.

These additional costs of outsourcing may be countered to some degree by local authority savings in central management overhead costs. However, these savings are usually limited as large elements of such costs are fixed. Hence, an external supplier of services may need to be 10-15% (or more) efficient than the in-house team to offer the same service at the same price, let alone better.

Whilst a comparison of the current costs of in-house service delivery with those of local authorities who have been using the private sector for some time may indicate scope for cost reductions, such comparisons need to be treated with caution. The current costs in many authorities will have been impacted by the consequences of Single Status and Job

Evaluation. These costs will impact on any new contract with the private sector due to TUPE. Long standing outsourced contract costs will reflect the TUPE impacts pre-TUPE. Indeed the longest standing arrangements may originate from the time before TUPE was an issue.

This is not to say that outsourcing of services will never provide a better or lower cost service. If the in-house service is poorly managed and competitive operational and procurement practices have not been implemented / maintained, the private sector may offer the quickest route to improvement / savings. Nevertheless, even in that situation, it may be better to optimise in-house performance which should provide greater savings whilst retaining the scope to flex the service around changing waste / recycling agendas and cost pressures.

There is a further possibility. Some local authorities are considering models which could provide some of the benefits of both in-house and private sector models. For example:

- Cornwall Council is in the process of establishing a Teckal company with trading subsidiaries to deliver street scene, waste and other front-line blue collar services.
- Powys Council examined the potential of setting up a Community Interest Company to deliver waste services. This would have brought under one organisation, the Council's collection services and the recycling services provided by a number of charities (one of which employed adults with learning difficulties to operate the local Materials Recycling Facility. For the time being, this has not been taken forward as a need to address a number of issues with the Council's operations was identified and it was determined that these should be addressed before any alternative management model is adopted.

These developing models may offer some advantages, e.g. they could continue to use the Authority's support services, while adopting commercial management practices without the need to generate commercial returns. However, as with outsourcing to the private sector, they create tax costs which are not a factor under in-house operations. They may also not address in-house management weaknesses due to just transferring these to another body to continue as before.

4.10 Strategic Partnership in Waste Collection

For some time the officers in the Tees Valley Authorities have had a strategic vision to create a joint waste service for Tees Valley by 2020. Currently, the Tees Valley authorities are tied into long-term contracts with their respective suppliers for delivering key parts of the service, which limits the opportunities available for collaboration in the short-term. This strategic opportunity seeks to contribute to this vision by identifying the areas where collaboration can be achieved between both Authorities and/or other authorities in the form of a roadmap.

In the short term, the first step in achieving this vision could be to create a strategic partnership between both Authorities that could act as a catalyst for further developments towards implementing the Tees Valley vision. This initial partnership could include:

- Joint procurement of waste collection vehicles.
- Shared best practice between the two Authorities.

Whilst these opportunities alone may not generate substantial savings, they would be a visibly important first step towards potential broader collaboration in the future. Currently there is little opportunity to collaborate beyond this due to the wide difference in policy, practice, and model of the two Authorities. For example, for further collaboration in joint waste collection to be possible, Darlington would have to adopt a wheelie bin model.

Potential benefits

- As this is a longer term strategy, it is expected that savings could be realised as both organisations and the wider Tees Valley authorities' waste collection arrangements become more aligned and prone for integration; therefore, at this stage estimates have not been provided.
- Marginal savings may be available through joint procurement of waste collection vehicles.
- The most significant benefit is in taking the first step towards a joint waste service amongst a greater number of authorities in the future. This display of collaboration will serve as a positive mark on the feasibility of further collaboration.

Key considerations

- There are key policy differences in the method and frequency of waste collection between the Authorities. In the short term, these will constrain any significant collaboration. The realisation of further collaborative benefits and increased savings for both Authorities is predicated on the expiry dates of existing contracts with different suppliers, and so any attempts for service integration will be constrained by these timescales.

Market insight

Some authorities have achieved savings and / or service improvements by integrating waste management services. For example, Shropshire integrated District and County waste collection / disposal services before local government reorganisation and Worthing and Adur Districts have also merged their waste management services (as part of a wider authority integration). However, Deloitte Best Value work with the Nottinghamshire Districts some years ago indicated that the savings from integration would be limited. It is therefore important to consider each situation in the context of specific local factors. There are a number of these which will impact on the scope for savings and / service improvements, e.g.:

- The geography / size of areas which will impact on the viability of combining depots and / or transfer stations, etc.
- The similarity of collection / recycling arrangements and the implications of this on plant and equipment requirements, etc.
- The scope to integrate collection and disposal operations as opposed to collection only

See also the Street Scene Market Insights in respect of the costs of competitively operated in-house services when compared with outsourced services which also apply to waste.

4.11 Combining Environmental Sustainability skills and expertise

There is a strategic opportunity to combine and refocus the skills and expertise across both Authorities into a single unit designed to drive forward the Environmental Sustainability agenda. This opportunity is unlikely to have cost savings; however, it will allow for a set direction, stronger focus, and increased ability to deliver from a larger pool of resources and expertise.

Potential benefits

The specific benefits of this opportunity are as follows:

- Combining the best skills, expertise and other resources, between the two Authorities will help support the Environmental Sustainability agenda and provide resilience to an important service in the future.
- Applying best practices and experiences between the two Authorities, especially in relation to CRC and reducing the likelihood of unnecessary financial penalties.
- Collectively, the Environmental Sustainability unit would have a greater ability to drive change and deliver against set targets.

Market Insight

We are working with a number of authorities at the present time to improve the carbon footprint of their estate and to imbed sustainability across the authority. Current initiatives we are seeing in the market place include:

Creation of a multi authority single “Carbon Team”

- Create a forum to share knowledge and information this will enable internal skills to be leveraged and avoid/minimise the need to procure external specialists.
- Better alignment of carbon reduction targets, strategies and initiatives.
- Learning curve to be reduced for implementing new initiatives.
- Better benchmarking of performance between authorities.
- Opportunity to procure utilities on a collaborative basis to be pursued more readily.

Creation of an Energy Service Company

The participating authorities jointly engage with an ESCO operating across the boundaries of the authorities to create a framework that captures and prioritises carbon reduction initiatives at the sub-regional level.

ESCO could be linked to maintenance and energy procurement.

The Hampshire Climate Change Partnership embraces more than 29 organisations in total, including county and district councils, PCTs, central government organisations and the emergency services. The partnership intends to form a separate and collaborative legal entity to drive forward three key carbon reduction themes:

- Retrofitting of domestic properties and micro-generation
- Energy efficiency in public buildings
- Large scale solar panel schemes

It is envisaged that each project will be taken forward by an ESCO or Special Purpose Vehicle with the oversight of the legal entity.

Renewable energy generation

- Authorities assemble a pool of assets (in the form of land and/or buildings) and enter into an agreement with a solar power or other renewable energy developer. This could be by way of a simple contractual relationship or some form of SPV style partnership.
- The developer could be made responsible for securing all necessary consents, sourcing and installing equipment, negotiating a link to the grid and maintaining all equipment during the lifetime of the project.
- The authorities could then secure a fixed annual payment for the use of their land (or buildings) together with an uplift related to the changing value of the Feed-in Tariff.
- This initiative could be linked to the bundling of hard FM services and also energy procurement.
- Deloitte is working with a group of local authorities and RSLs in the north-west in developing a unique approach to the funding, installation, energy supply, use of Feed in Tariff and on-going maintenance of large scale social housing solar panels projects. Typically, authorities / RSLs enter into a deal with an energy and / or infrastructure supplier where the costs and benefits (and therefore the VFM) exhibit only limited transparency. This innovative approach forces transparency into all cost elements of the supply chain to ensure that the local authorities can properly assess the VFM of different offers and thereby demonstrate best value.

4.12 Joint provision of traffic management related works

There is a strategic opportunity for the joint provision of traffic management related works across Darlington and Hartlepool by a single service.

Potential benefits

The savings estimates have been based upon adopting Hartlepool's ability to deliver works below the market price on average over a given year using the Direct Labour Organisation (DLO). Experience of the service suggests that if 10% to 15% reductions in costs compared to commissioning from the market were to be achieved then an estimated saving between £60k and £90k could be realised.

The specific benefits will be:

- Reductions in the costs of traffic related works for Darlington Borough Council.
- Darlington Borough Council will provide greater contribution to Hartlepool Borough Council to cover its fixed costs.

Key considerations

- The DLO will need to be able to manage works across both areas which may require a different model of deploying and organising resources across the two geographies.
- Works may have to be commissioned externally if the team is over capacity, which will erode the estimated savings suggested above.
- Greater savings could be delivered if the scale of the team were to be increased as more authorities joined in the collaborative model. This can generate an income stream to subsidise works across Darlington and Hartlepool.

4.13 Key risks

The following key risks across all of these opportunities have been summarised in the table below:

Key Risk	Explanation
Thin layer of management	<p>Currently these services have reduced the size of their management tiers which has required heads of service and assistant directors to both manage the service and be involved in case work.</p> <p>Any further reductions in management may compromise the effectiveness of the service by</p>

	overstretching individuals, especially across the two Authorities.
Level of standardisation across the integrated service may not deliver the expected levels of saving	<p>The key to delivering savings is dependent upon how far these services can be standardised.</p> <p>There is a risk that not fully standardising these services from structure through to provision will create “dual” services that may in some cases create unnecessary additional costs as opposed to savings.</p>

4.14 Assessment against the Guiding Principles

The opportunity for Environmental Services has been assessed in its totality against the guiding principles below:

Evaluation Criteria	Notes
1.1) Sustainable financial future	<p>Collaboration on a broader Environmental Services basis should sustain the services in some shape or form at a lower cost.</p> <p>It is important, though, that the split between internal and external income is assessed when considering any form of collaboration in order to ensure that existing income streams are not compromised.</p>
1.2) Supporting democratic accountability and choice	<p>Both Authorities will continue to set the priorities for the service through their existing internal decision making structures.</p> <p>Given the local nature of these services, the shared service will have the capability and capacity to administer the local choices set by the respective Authorities.</p> <p>It should be noted, though, that Officer relationships with Members and with local partners and stakeholders may need to change in a joint service. In several of the services under consideration there are strong relationships between managers and Members which would need to be handled in a different way where managers were responsible for both Hartlepool and Darlington services.</p>
1.3) Shaping our own destiny	<p>Given the funding reductions, such an opportunity should create flexibility for the service to re-shape itself going forward.</p> <p>However, such collaboration may pose challenges to individual Authorities' sovereignty, which should be mitigated through maintenance of local control over decision-making and the setting of priorities.</p>
1.4) Stimulating and informing wider partnership	<p>There is a potential for this opportunity to be broadened across the Tees Valley partnership to become a regional Environmental Services function.</p> <p>This would be subject, though, to many of the same risks and considerations as the collaboration opportunities proposed above.</p>
1.5) Optimising	<p>The opportunity will have the ability to tailor itself to supporting</p>

outcomes for local people	<p>local priorities given the local nature of the service.</p> <p>It should be noted, though, that harmonised service levels, standards, and policies would be necessary to facilitate working across councils. This is likely to be a long term change due to local priorities, policies and practices currently in existence and may lead to disruption in service delivery and quality.</p>
1.6) Sustainable and resilient communities	<p>Many of the local outcomes related to Environmental Services can be supported through this opportunity.</p> <p>However, while a joint service should provide greater flexibility in the resource pool, there could be a risk that some resources become overstretched at times of peak demand. For example, winter maintenance vehicles may encounter difficulties when trying to cover two separate areas and may not be as effective as operating as a separate fleet management service.</p>
2) To what extent does each Council retain its sovereignty?	<p>From an identity perspective, the public will not notice a difference in appearance of these services at the local level.</p> <p>Both Authorities will still have strategic control over the shared service. Although, as noted above, collaboration poses challenges to each Authority's sovereignty which will need to be mitigated by the governance structures proposed.</p>
3) To what extent does the option bring additional benefits?	<p>This opportunity provides both Authorities with the ability to create resilience and capacity to continue the service in some shape or form to support local priorities and demonstrate a level of financial saving over the long term.</p> <p>However, the maintenance of local control over priorities may reduce the potential for harmonisation of service levels, in turn reducing the level of potential savings. This will need to be taken into account in further work to ensure that options are still financially viable.</p>
4) To what extent does the option support each Authority's strategic design principles?	<p>This opportunity supports the Authorities' design principles for improving service delivery and contributing to both Authorities' savings.</p> <p>However, the potential risk of disruption to service quality highlighted above should be noted.</p>

4.15 General risks

In addition to the opportunity-specific risks identified in the sections above, a number of general risks related to the wider collaboration opportunity have been identified:

Risk area	Description
<p>Loss of capacity due to restructure</p>	<p>The combination of services included within the Environmental Services workstream will, in most instance, result in a restructure and reduction in strategic and operational management posts. However, some degree of 'backfill' with staff at lower grades may be required to absorb operational work and create capacity for ADs and senior managers to manage the collaboration.</p> <p>Applying this principle each senior manager will have responsibilities that cover both Authorities with more localised teams beneath these posts. This also assumes that all operational responsibilities will be delegated and the roles, responsibilities and current structures below this level will remain. However, there may be scope for redesigned services to define the structures beneath the heads of service tier.</p>
<p>Negative impact of current initiatives on proposed transformation project</p>	<p>Service areas in both Authorities are currently reviewing structures and undertaking service delivery option reviews which have the potential to further limit possible level of savings as staffing levels are reduced.</p>
<p>Loss of local knowledge</p>	<p>Local knowledge and political understanding is critical in these service areas. Any potential for loss of this and its impact on political management, structure and governance in both Authorities would need to be considered and mitigated.</p>

4.16 Points for further consideration

The following opportunities were suggested during the review phase in the production of this document. They are included here for reference.

- Teckel Company for Facilities Management Services for one, both or more authorities
- Shared management for FM Services across both Authorities or the wider Tees Valley
- Integration of street cleansing with Parks and Countryside in HBC, assuming Neighbourhood Management focuses on Neighbourhood Planning and Community engagement and Community Safety.
- Joint Nursery and associated services for both Authorities, which provides a growth opportunity, including becoming a service provider to TV Authorities.
- Integration of enforcement activities – environment and car parking – use of CCTV, ANPR, covert etc. This would provide greater resilience
- VCS/Social Enterprise partnership for Bulky Waste
- Joint service for both Authorities, or more Tees Valley authorities, for Trade Waste

5 Appendix

5.1 Passenger transport breakdown

The breakdown of transport provision by transport area is illustrated into the following parts:

- Internal Provision
- External Provision
- Income Streams (i.e. income generation and grant funded)

Please note that these tables exclude staffing costs which are stated in section 3.2.2.

Internal provision

Transport Area	Darlington Borough Council		Hartlepool Borough Council	
	Passenger Numbers	Internal Provision (£)	Passenger Numbers	Internal Provision (£)
Mainstream Secondary			164	50,683
Secondary school decant - special provision for period Sept 09 - Jan 12			182	50,683
Mainstream Primary				
Secondary Special	17	36,440	17	118,192
Primary Special	12	36,440	18	92,044
Secondary Special Out of Borough				
Primary Special Out of Borough				
Post 16 SEN				

Transport Area	Darlington Borough Council		Hartlepool Borough Council	
	Passenger Numbers	Internal Provision (£)	Passenger Numbers	Internal Provision (£)
Post 16 Mainstream				
Turnaround (rechargeable works)				
Swimming (SLA to schools)			Varies	44,506
Adults	66	66,100	101	273,840
Total	95	138,980	482	646,975

External Provision

Transport Area	Darlington Borough Council		Hartlepool Borough Council	
	Passenger Numbers	External Provision (£)	Passenger Numbers	External Provision (£)
Mainstream Secondary	1137	620,153.67	534	358,224.00
Secondary school decant - special provision for period Sept 09 - Jan 12			621	179,031.00
Mainstream Primary	75	127,087.20	36	88,567.00
Secondary Special	133	181,996.70	98	97,802.00
Primary Special	47	73,547.04	60	57,376.00
Secondary Special Out of Borough	15	77,915.48	4	25,780.00

Transport Area	Darlington Borough Council		Hartlepool Borough Council	
	Passenger Numbers	External Provision (£)	Passenger Numbers	External Provision (£)
Primary Special Out of Borough	3	18,745.40	1	11,594.00
Post 16 SEN	48	177,807.32	3	10,645.00
Post 16 Mainstream			281	17,027.00
Turnaround (rechargeable works)	Varies	19,772.16	Varies	3,012.00
Swimming (SLA to schools)	Varies	26,908.56		
Adults	91	53,996.93	44	143,239.00
Total	1549	1,377,930	1,401	975,270

Income Streams

Transport Area	Darlington (£)	Hartlepool (£)
Public Bus Service Provision		23,748.00
Grants / Mileage	93,577.00	26,321.00
Luncheon Club		4,092.00
Members Services		1,995.00
NHS		9,625.00
Extended Services		18,407.00

Transport Area	Darlington (£)	Hartlepool (£)
Midas / Pat's Training		1,935.00
Private Hire		9,974.00
Education Visits Pupils		19,919.00
Education Visits Adults		4,629.00
Courier Service		353.00
Total	93,577.00	214,575

Key ratios

Annual unit cost per passenger (£)	Darlington		Hartlepool	
	Internal	External	Internal	External
Mainstream Secondary		545	309	671
Secondary school decant - special provision for period Sept 09 - Jan 12			278	288
Mainstream Primary		1,694		2,460
Secondary Special	2,144	1,368	6,952	998
Primary Special	3,037	1,565	5,114	956
Secondary Special Out of Borough		5,194		6,445
Primary Special Out of Borough		6,248		11,594
Post 16 SEN		3,704		3,548
Post 16 Mainstream			6,123	
Turnaround (rechargeable)				
Swimming (SLA to schools)				
Adults	1,002	593	2,711	3,255

V1.0 FINAL	Collaboration Feasibility Project: Environmental	13/07/11
------------	--	----------

5.2 Building Works Budget Breakdown

Below is a breakdown of the service budget for both Authorities by revenue and capital.

Darlington

10/11 Outturn	Public Buildings inc schools revenue	Housing revenue	Capital Projects
Staffing Cost (including on costs)	653,201	2,213,436	2,625,135
Supplies and Services (maintenance parts/consumables)	164,544	532,299	2,508,829
External maintenance provision from third parties	520,141	554,012	6,884,855
Expenditure provisions made	(54,192)	(260,614)	(294,449)
Support services recharges	(28,371)	(113,439)	(124,737)
Director/AD costs	(14,000)	(31,100)	(28,400)
Gross budget	1,241,323	2,894,594	11,571,233
Income	1,439,838	3,207,037	12,095,931
Net budget/surplus	198,515	167,903	371,561

Hartlepool

10/11 Outturn	Revenue	Capital
Staffing Cost (including on	477,387	725,307

costs)		
Supplies and services (maintenance parts/consumables)	322,555	490,067
External maintenance provision from third parties	431,265	655,235
Expenditure provisions made		
Support services recharges	523,306 ²	
Director/AD costs	44,296 ³	
Gross budget	1,231,207	1,870,609
Income	1,425,000	2,626,657
Net budget/(surplus)	(426,537)	(756,048)

Notes:

¹Made up of £1.2m of general income plus £225,000 schools

²Excluded from gross budget

³Excluded from gross budget

5.3 Commercial Catering Breakdown

The table below shows the breakdown for commercial catering for Darlington.

2010/11	Civic Catering	Catering Admin	Dolphin Centre Catering	Arts Centre Catering	Stressholme Golf Club Catering	Total
Catering % of turnover	58		64	63	59	62
Bar as % of turnover	68		66	63	63	65
FTEs						33.5
2010/11	Civic Catering	Catering Admin	Dolphin Centre Catering	Arts Centre Catering	Stressholme Golf Club Catering	Total
Staffing costs	58,192	28,304	492,005	145,943	253,473	977,917
Catering costs	50,521	104	255,613	54,955	97,012	458,205
Bar costs	47,871	0	71,296	46,439	53,947	219,553
Supplies and services - Other	9,202	9,001	44,968	14,963	24,066	102,200
M & A charge (premises)	0	3,062	0	0	0	3,062
Total expenditure	165,786	40,471	863,882	262,300	428,498	1,760,937
Income - Catering	120,399	0	714,162	147,037	233,815	1,215,413
Income - Bar	149,593	0	211,415	127,110	147,766	635,884
Other income	2,795	366	21,506	5,082	2,427	32,176
Total income	272,787	366	947,083	279,229	384,007	1,883,472
Net cost	(107,001)	40,105	(83,201)	(16,929)	44,491	(122,535)

5.4 Street Scene Breakdown

5.4.1 Street Cleaning

Darlington

11/12	
FTE No's As Full Year	Op's 34 Mgt 3 (inc 1 x Street Care)
Employee Costs	£895.6k
Premises costs	£16.1k
Transport	£394.5k
Supplies & services	£66.1k
Income	(£7.2k)
Net cost	£1,365.1k (excludes £49.1k M&A & £55.9k SSR)

Hartlepool

11/12	
FTE NO's:	34
EMPLOYEES	
Office	108,382
Manual	723,136
Agency	61,514
PREMISES	
Depot	39,739
Stores	13,872
TRANSPORT	
Hire	590,540

Fuel	135,907
SUPPLIES & SERVICES	123,573
INCOME	-99,223
Internal - Tall Ships 1011 only	0
Internal	-62,845
External	-36,378
External - Schools	0
External - NDC	0
NET COST	1,598,217
OTHER	
Admin & Mgmt - Inc dept and corporate	97,541

5.4.2 Ground Maintenance

Darlington

11/12	(Includes South Park, Tree Team and Play Area)
FTE No's As Full Year	Operational 42, Management 4 Seasonal 9 (15 x 7 months) (excludes R Ward)
Employee Costs	£1,427.1k (net of £34.1k salary recharge)
Premises Costs	£130.9k
Transport	£421.7k
Supplies & Services	£304.0k
Income	£694.0k (excludes salary recharge income) (approx 80% of £113.9k Tree income is internal)
Net Cost	£1,589.7k (excludes £64k M&A & £85.2k SSR)

Hartlepool

11/12 Figures	Grounds Maintenance	Parks	Trees	Countryside Management	Recreation	Totals
FTE	17	13	17	1	1	49
HEADCOUNT	17	13	17	1	1	49
STAFFING COSTS (£)						
Manual	1,131,136	0			24,423	1,155,559
Office	111,473	40,465		61,235		213,173
Agency	216,046					216,046
SUPPLIES & SERVICES (£)						
Materials	221,008			582	11,589	233,179
Other	80,719	7,596		2,087		90,402
Maintenance			12,110		16,126	28,236
EXTERNAL MAINTENANCE PROVISION FROM THIRD PARTIES (£)	0	0	0	0	0	0
OTHER EXPENDITURE (£)						
Transport	461,858					461,858

Premises	61,025					61,025
Other	54,382					54,382
GROSS BUDGET (£)	2,337,647	48,061	12,110	63,904	52,138	2,513,860
NET BUDGET (£)	(335,090)	(27,759)	12,110	63,904	52,138	(234,697)