DRAFT - KNT Joint Venture
Overview and Scrutiny Long List of Options

This briefing note identifies the options available to North Tyneside Council in considering the construction arrangements post 2019.

Undertaking this options exercise will allow the council to clearly understand the most effective delivery model supporting both council housing and public buildings repairs and maintenance/capital investment. The options identified below are all very different and represent a spectrum of options including extending the contract for part or all of the services (i.e. status quo) to bringing some or all of the services back to be delivered directly, indirectly or via a mixture of both internal and external delivery through a selection of different vehicles.

Extend -

Option 1 - Extend the current Joint Venture partnership agreement

Option 2 - Extend the current Joint Venture partnership incorporating variations to the existing contract (with no material change)

Re-Procure

Option 3 - Retender the service as a Joint Venture (large multi-trade agreement with one provider)

Option 4 - Retender the service on the basis of a traditional client contractor arrangement with one provider

Option 5 - Retender the service on the basis of a traditional client contractor arrangement with two providers

Option 6 - Retender the service on the basis of multiple non-exclusive framework contracts

In source -

Option 7 - Bring the entire service back in house

Option 8 - Bring the Repairs and Maintenance service back in house supported by a non-exclusive framework arrangement for major capital works

Option 9 - Bring the service back in house and deliver services through the North Tyneside Trading Company (NTTC) using one or a mix of the options mentioned above

The following SWOT analysis summarises some of the key messages the council will have to consider before converting this long list of options into a short list of options.

Option 1 - Extend the current Joint Venture partnership agreement

Effectively this option extends the current contract broadly as is for a 5 year period. The goodwill issue would crystallise as a pressure in the council's books (as it does in all the options) and we might want to consider how we recharge the joint venture e.g. rent for Killingworth etc. but effectively the relationship would continue as now with 20% of the profit coming back to the council. Exclusivity would remain as per the current contract

Strengths	Weaknesses
• Consistency and continuity of service provision and a single point of delivery • Established relationships and governance • Performance indicators have continued to improve • Customer satisfaction with service users has continued to improve • No change to employee terms and conditions • No re-tendering or procurement requirements therefore cost and time savings of procurement phase. • No mobilisation costs • Established supply chain supported by local economy	• Questions about value for money of service being untested • Continuation of complex financial management of contract going forward (minor elements could be renegotiated as part of the contract extension but the essence of the agreement would remain intact) • Dependency on one contractor • 80% of profit going to shareholders • No clear vision from the Kier around the benefits it will bring or deliver during the next 5 years • Less flexibility to amend service delivery in the face of financial challenges and shrinking budgets than some of the other options • JVCo. staff may have a desire to work for NTC or others
Opportunities	**Threats**
• Reach agreement on changes to way service is operated to align with CBF • Redefine Key Performance Indicators and associated financial returns based on performance • Review and refresh of governance arrangements • Review and simplify existing financial arrangements to become more transparent • Potential financial benefit to the council should WS5 opportunities be maximised	• Potential that the contractor does not want to enter into a contract extension • Risk of deterioration in value for money during extension period (recovery of overheads) • The risk of a volatility and reduction in revenue and capital funding (impact on overheads that might otherwise have been spread) will remain, as now, with council.

TUPE Implications

None. Current arrangements continue

Potential Procurement Costs

There would be minimal procurement costs as the contract allows for a simple exchange of correspondence to grant any associated extension to the contract.

Option 2 - Extend the current Joint Venture partnership incorporating variations to the existing contract (with no material change)

The contract would be extended by 5 years. With the agreement of both parties the contract would be varied to either exclude or add additional services. Once the parties are agreed on the scope of the contract exclusivity would remain for the duration of the 5 year extension. The goodwill issue would crystallise as a pressure in the council's books (as it does in all the options) Exclusivity would remain as per the current contract unless we contracted for that to change – if we did risk would be priced into the contract.

Strengths	Weaknesses
• Consistency and continuity of service provision and a single point of delivery • Established relationships and governance Performance indicators have continued to improve • Customer satisfaction with service users has continued to improve • No change to employee terms and conditions • No re-tendering or procurement requirements therefore cost and time savings • No mobilisation costs • Established supply chain supported by local economy	• Questions about value for money of service being untested • Depending on scale of changes may be some continuation of complex financial management of contract going forward • Dependency on one contractor • 80% of profit going to shareholders No clear vision from the Kier around the benefits it will bring or deliver during the next 5 years • Less flexibility to amend service delivery in the face of financial challenges and shrinking budgets than some of the other options • JVCo. staff may have a desire to work for NTC or others
Opportunities	Threats
• Reach agreement to amend payment mechanism for each work stream or JV overall • Reach agreement on changes to way service is operated to align with CBF • Review and refresh of governance arrangements • Review and simplify existing financial arrangements to become more transparent • Redefine Key Performance Indicators and associated financial returns based on performance • Look to review management structures to ensure greater influence in the management of the service (Joint Management responsibilities or roles) • Potential financial benefit to the council should WS5 opportunities be maximised	• Potential that the contractor does not want to enter into a contract extension on new terms • Issues relating to agreeing contract extension (eg risk of material procurement change) • Risk of deterioration in value during extension period (recovery of overheads) • The risk of a volatility and reduction in revenue and capital funding (impact on overheads that might otherwise have been spread) will remain, as now, with council.

TUPE Implications

None. Current arrangements continue

Potential Procurement Costs

There would be minimal procurement costs as the contract allows for a simple exchange of correspondence to grant any associated extension to the contract. However, the cost may increase subject to the level of variations incorporated.

Option 3 – Retender the service as a Joint Venture (large multi-trade agreement with one provider)

Effectively this would be to repeat the exercise originally carried out to let the original contract. This would require a major procurement to be undertaken. TUPE would apply to the new provider. Exclusivity would apply to the services.

The Council would need to consider the length of the contract as it would need to be greater than 5 years to be financially viable.

Strengths	Weaknesses
• Retendering demonstrates value for money to council and tenants • Stability and consistency of one provider for all services • New contract management and monitoring arrangements • NTC have knowledge and experience of working with JVCo.	• Resource intensive governance structure to manage a joint venture • Reducing number of providers able to deliver large multi-trade contracts • Reliance on one contractor – no alternative service delivery if service providers fails • Risk of deterioration in service during transition period • Implementation period for joint venture • JVCo. staff may have a desire to work for NTC or others • No established relationships
Opportunities	Threats
• Opportunities to amend existing complex contractual arrangements and payment mechanism • Profit share and reinvestment • Partnership opportunities in relation to development • Potential financial benefit to the council should they grow and develop the business • Alignment with CBF	• Lengthy procurement timeline • Resource implications to deliver retendering process • Potential under-bidding by contractors to secure contract with subsequent delivery problems • Lack of, or no, bids from contractors to provide service • Not having appropriate and effective ICT infrastructure and solution in place • The risk of a volatility and reduction in revenue and capital funding • Establishing supply chain supported by the local economy

TUPE Implications

TUPE implications will arise as employees will have the right to transfer from the KNT to the Joint Venture company. In relation to those employees who were transferred from the Council they continue to have pension protection. Any new provider is likely to require admittance to the LGPS to meet the pension protection requirements.

Potential Procurement Costs

The cost of the original contract procurement exercise was in the region of £2.2m (including circa £0.5m of internal staffing costs).

Expertise from across the NTC teams would support the procurement arrangements, however we assume some external advice would be required.

Option 4 – Retender the service on the basis of a traditional client contractor arrangement with one provider

The Authority would undertake a procurement to appoint a provider. It is likely that exclusivity would apply to the majority of services. TUPE would apply to the contractor. A block payment would be made (for agreed volumes or budgets) for services undertaken with a separate payment mechanism to be established for capital sums.

The Authority would need to clearly define the scope of works for each contractor and how it would continue to determine value for money.

The Council would need to consider the length of the contract as it would need to be greater than 5 years to be financially viable.

Strengths	Weaknesses
• Retendering demonstrates value for money to council and tenants • Clearly defined client/contractor relationship • Stability and consistency of one provider for all services • New contract management and monitoring arrangements	• There are a reducing number of providers able to deliver large multi-trade contracts • Reliance on one contractor – no alternative service delivery if service providers fails • Lack of competition may lead to complacency – requires strong contract management • Over-charging to ensure service delivery • Resource implications to deliver retendering process • Risk of deterioration in service during transition period • Implementation period for new contractor due to scale of procurement • JVCo. staff may have a desire to work for NTC or others • No established relationships • Limits partnership opportunities and profit share arrangements • Resource implications to manage the contract
Opportunities	**Threats**
• Opportunities to amend existing complex contractual arrangements and payment mechanism • Review and streamline the governance structure • Alignment with CBF	• Lengthy procurement timeline • Insufficient infrastructure to deliver retendering process • Potential under-bidding by contractors to secure contract with subsequent delivery problems • Lack of, or no, bids from contractors to provide service • It is likely that bidders would price for risk • Contractual arrangements could generate a claims culture • Not having appropriate and effective ICT infrastructure and solution in place • The risk of a volatility and reduction in revenue and capital funding • Establishing supply chain supported by the local economy

TUPE Implications

TUPE implications will arise as employees will have the right to transfer from KNT to the new provider company. In relation to those employees who were transferred from the Council they continue to have pension protection. Any new provider is likely to require admittance to the LGPS to meet the pension protection requirements.

Potential Procurement Costs

The cost of the original contract procurement exercise was in the region of £2.2m (including circa £0.5m of internal staffing costs).

Expertise from across the NTC teams would support the procurement arrangements, however we assume some external advice would be required.

Option 5 – Retender the service on the basis of a traditional client contractor arrangement with two providers

The Authority would undertake a procurement to appoint two providers. It is likely that exclusivity would apply to the majority of services to each provider. TUPE would apply to either or both contractors. A block payment would be made (for agreed volumes or budgets) for services undertaken with a separate payment mechanism to be established for capital sums.

The Authority would need to clearly define the scope of works for each contractor and how it would continue to determine value for money.

The Council would need to consider the length of the contract as it would need to be greater than 5 years to be financially viable.

Strengths	Weaknesses
• Retendering demonstrates value for money to council and tenants • Clearly defined client/contractor relationship • Two contracted providers mitigates risk of contractor failure • New contract management and monitoring arrangements	• There are a reducing number of providers able to deliver large multi-trade contracts • Over-charging to ensure service delivery • Risk of deterioration in service during transition period • Implementation period for new contractors due to scale of procurement • Internal governance / management arrangements required across two providers • JVCo. staff may have a desire to work for NTC or others • No established relationships • Limits partnership opportunities and profit share arrangements • Resource implications to manage the contract
Opportunities	Threats
• Opportunities to amend existing complex contractual arrangements and payment mechanism • The council is able to compare performance between the two contractors • Establish robust performance monitoring framework • Alignment with CBF	• Lengthy procurement timeline • Resource implications to deliver retendering process • Potential under-bidding by contractors to secure contract with subsequent delivery problems • Lack of, or no, bids from contractors to provide service • Potential conflict and inconsistency between the two appointed contractors • Contractual arrangements could generate a claims culture • It is likely that bidders would price for risk • Not having appropriate and effective ICT infrastructure and solution in place • The risk of a volatility and reduction in revenue and capital funding • Establishing supply chain supported by the local economy

TUPE Implications

TUPE implications are likely to arise depending upon the division of the contract between the new providers. Those employees whose posts are transferring as an identifiable part of the business or service will have the right to transfer from KNT to the new provider companies. In relation to those employees who were transferred from the Council they continue to have pension protection. Any new provider is likely to require admittance to the LGPS to meet the pension protection requirements.

Potential Procurement Costs

The cost of the original contract procurement exercise was in the region of £2.2m (including circa £0.5m of internal staffing costs).

Expertise from across the NTC teams would support the procurement arrangements, however we assume some external advice would be required.

Option 6– Retender the service on the basis of multiple framework contracts

A procurement exercise would need to be undertaken to establish the framework. This would be a non-exclusive frame work with either one provider or 3 or more providers. Works would be called off the framework either by direct award or mini-competition to ensure value for money.

The framework would be non-exclusive.

The Council would need to consider the length of the contract as it would need to be greater than 5 years to be financially viable.

Strengths	Weaknesses
• Mixed market allowing for comparison and flexing between different contractors • Smaller specialist contracts more attractive to small and medium sized local firms able to deliver direct services • Improved performance from small and medium sized firms due to being directly employed as opposed to same firms working as sub-contractors for large provider at a percentage of the rate they can achieve direct • Risk of individual contractor failure is mitigated by employment of multiple contractors • Reduced procurement timeframe due to size of contracts • Increased competition / VfM • New contract management and monitoring arrangements	• Increased number of contracts to procure • Increased number of contracts to manage • Customer may not have one named provider for services – potential for disjointed customer service • Smaller contractors may experience difficulties with cash flow or have difficulty in delivering large scale contracts • JVCo. staff may have a desire to work for NTC or others • No established relationships • Limits partnership opportunities and profit share arrangements • Resource implications to manage the contract
Opportunities	**Threats**
• Retain money in the local economy • Local workforce and apprenticeships • Alignment with CBF	• More difficult to manage the customer interface – potential for disjointed customer service • Maintaining service standards across a number of contactors • Not having appropriate and effective ICT infrastructure and solution in place • Contractual arrangements could generate a claims culture • Potential conflict and consistency between the appointed contractors • The risk of a volatility and reduction in revenue and capital funding • Small contractors may not be set up to be able to utilise relevant council IT systems. • The review of the depot solution across the borough needs to align with delivery option • The risk of a volatility and reduction in revenue and capital funding • Establishing supply chain supported by the local economy

TUPE Implications
TUPE implications may arise depending upon how services are drawn down from the framework. In relation to those employees who were transferred from the Council they continue to have pension protection. Any new provider is likely to require admittance to the LGPS to meet the pension protection requirements.

Potential Procurement Costs
The cost of the original contract procurement exercise was in the region of £2.2m (including circa £0.5m of internal staffing costs). Expertise from across the NTC teams would support the procurement arrangements, however we assume some external advice would be required.

Option 7 – Bring the service back in house

All services would be retained by the Authority. There would be a TUPE of staff into the Authority.

Strengths	Weaknesses
• The council takes full control of repairs, maintenance and investment delivery • Clarity and transparency on costs • Governance structures can become streamlined • Ability to redefine provision and service delivery • Establish one culture and structure within the Council • Management of the supply chain	• Potential loss of external grant opportunities that can not be accessed by a public body
Opportunities	**Threats**
• Savings can be reinvested • Ability to Establish supply chain supported by the local economy • Direct control over data and intelligence leading to service improvements • Reduced overhead and management costs • Overall reduction in costs as profit will not apply • Potential financial benefit to the council should expand the services we deliver (e.g. development / regeneration, private rented, management of commercial / retail properties) • Tenant and Member involvement in establishing new arrangements • Retain money in the local economy • Local workforce and apprenticeships • Ability to ensure value for money	• Corporate governance structures could inhibit flexibility and speed of decision making • Reputational damage to council if in-house service underperforms compared to previous service provision • The risk of a volatility and reduction in revenue and capital funding • Implications of legacy contracts (if applicable) • Not having appropriate and effective ICT infrastructure and solution in place • Resource implications to manage the service in-house

TUPE Implications

TUPE implications will arise. The Authority will be obliged to honour the terms and conditions of the employees who transfer to it from KNT. All transferred employees will have the right as employees of the Authority to join the LGPS.

Potential Procurement Costs

Procurement costs across this option are not applicable however an internal mobilisation team will be required and there will a range of mobilisations costs including ICT systems.

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Option 8 – Bring the Repairs and Maintenance service back in house supported by a framework arrangement for major capital works

The repairs and maintenance service would be retained by the Authority. There would be a TUPE transfer of staff back to the Authority.

A procurement exercise would need to be undertaken for the major capital works. This would be a non-exclusive frame work with a number of providers. Works would be called off the framework either by direct award or mini-competition to ensure value for money. The framework would be non-exclusive.

The Authority would need to clearly define the scope of works for each contractor and how it would continue to determine value for money.

Strengths	Weaknesses
• The council takes full control of repairs, maintenance and investment delivery • Clarity and transparency on costs • Governance structures can become streamlined • Ability to redefine provision and service delivery • Establish one culture and structure within the Council • Management of the supply chain	• Potential loss of external grant opportunities that can not be accessed by a public body
Opportunities	Threats
• Opportunity to utilise single trade contracts for specific and/or specialised works • Ability to Establish supply chain supported by the local economy • Opportunity to use single trade contracts to ensure greater value for money and implement cost savings • Reduced overhead and management costs • Overall reduction in costs as profit will not apply • Savings can be reinvested in service area budgets • Potential financial benefit to the council should expand the services we deliver (e.g. development / regeneration, private rented, management of commercial / retail properties) • Retain money in the local economy • Local workforce and apprenticeships • Direct control over data and intelligence leading to service improvements • Ability to redefine provision and service delivery • Ability to ensure value for money • Tenant and Member involvement in establishing new arrangements	• Corporate governance structures could inhibit flexibility and speed of decision making • Reputational damage to council if in-house service underperforms compared to previous service provision • Implications of legacy contracts (if applicable) • Not having appropriate and effective ICT infrastructure and solution in place • Resource implications to manage the service and framework • The risk of a volatility and reduction in revenue and capital funding

TUPE Implications

TUPE implications will arise. The Authority will be obliged to honour the terms and conditions of the employees who transfer to it from KNT. All transferred employees will have the right as employees of the Authority to join the LGPS.

Potential Procurement Costs

Procurement costs across this option are not applicable however an internal mobilisation team will be required and there will a range of mobilisations costs including ICT systems.

Option 9 – Bring the service back in house and deliver services through the North Tyneside Trading Company (NTTC) using one or a mix of the options mentioned above

There would be a TUPE of staff into the Trading Company. A procurement exercise would not need to be undertaken. Exclusivity would apply to the majority of services. A block payment would be made (for agreed volumes or budgets) for services undertaken with a separate payment mechanism to be established for capital sums.

The Authority would need to clearly define the scope of works for each contractor and how it would continue to determine value for money.

Strengths	Weaknesses
• Delivery through NTTC aligns with council priorities • Clarity and transparency on costs • Governance structures can become streamlined • Ability to redefine provision and service delivery • Establish one culture and structure to align with the Council • Management of the supply chain	• Potential loss of external grant opportunities that can not be accessed by a public body
Opportunities	**Threats**
• Reduced overhead and management costs • Overall reduction in costs as profit will not apply • Ability to Establish supply chain supported by the local economy • Retain money in the local economy • Local workforce and apprenticeships • Direct control over data and intelligence leading to service improvements • Potential financial benefit to the council should opportunities be maximised • Establish a culture and structure within the delivery arm that is in keeping with the council • Expansion of housing vehicle to undertake additional functions (e.g. development / regeneration, private rented, management of commercial / retail properties) • Tenant and Member involvement in establishing the delivery arm • Local workforce and apprenticeships • Ability to ensure value for money	• Corporate governance structures could inhibit flexibility and speed of decision making • Reputational damage to council if trading arm underperforms compared to previous service provision • Resource implications to manage the service in-house • Implications of legacy contracts (if applicable) • Not having appropriate and effective ICT infrastructure and solution in place • The risk of a volatility and reduction in revenue and capital funding

TUPE Implications

TUPE implications are likely to arise. The Trading Company will be obliged to honour the terms and conditions of the employees who transfer to it. In relation to those employees who were transferred from the Council they continue to have pension protection. The Trading Company is likely to require admittance to the LGPS to meet the pension protection requirements.

Potential Procurement Costs

Procurement costs across this option are not applicable however an internal mobilisation team will be required and there will a range of mobilisations costs including ICT systems.

Key Service Areas

	O1 – Extend the current Joint Venture partnership arrangement	O2 – Extend the current Joint Venture partnership incorporating variations to the existing contract (with no material change)	O3 – Retender the service as a Joint Venture (large multi-trade agreement with one provider)	O4 – Retender the service on the basis of a traditional client contractor arrangement with one provider	O5 – Retender the service on the basis of a traditional client contractor arrangement with two provider	O6- Retender the service on the basis of multiple non-exclusive framework contracts	O7- Bring the entire service back in house	O8- Bring the Repairs and Maintenance service back in house supported by a non-exclusive framework arrangement for major capital works	O9- Bring the service back in house and deliver services through the North Tyneside Trading Company (NTTC) using one or a mix of the options mentioned previously
Design Services	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Could bring in house or buy in (TUPE issues)	Could bring in house or buy in (TUPE issues)	Could bring in house or buy in (TUPE issues)	Need to resource in house	Could bring in house or buy in (TUPE issues)	Could bring into NTTC or buy in (TUPE issues)
Contact Centre	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Could bring in house or buy in (TUPE issues)	Could bring in house or buy in (TUPE issues)	Could bring in house or buy in (TUPE issues)	Need to resource in house	Need to resource in house	Need to resource in NTTC
Frontline service delivery and workforce management	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Contractor would provide	Contractors would provide	Contractors would provide	Need to resource in house	Need to resource in house	Need to resource in NTTC
Client Contract and Project Management	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Contractor could provide or in house (TUPE issues)	Contractor could provide or in house (TUPE issues)	Contractor could provide or in house (TUPE issues)	Need to resource in house	Need to resource in house	Need to resource in NTTC
Procurement and Purchasing & Stores	As is	As is unless negotiate otherwise	Subject to negotiation but possibly	Contractor would provide	Contractors would provide	Contractors would provide	Need to resource in house	Need to resource in house	Need to resource in NTTC

			as is						
Training and Employment	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Contactor could provide subject to negotiation	Contactors could provide subject to negotiation	Contactors could provide subject to negotiation	Need to resource in house	Need to resource in house	Need to resource in NTTC
Working Roots	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Contactor could provide subject to negotiation	Contactors could provide subject to negotiation	Contactors could provide subject to negotiation	Need to resource in house or stop	Need to resource in house or stop	Need to resource in NTTC or stop
Gas Training Centre	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Contactor could provide subject to negotiation	Contactors could provide subject to negotiation	Contactors could provide subject to negotiation	Need to resource in house or stop	Need to resource in house or stop	Need to resource in NTTC or stop
Back Office	As is	As is unless negotiate otherwise	Subject to negotiation but possibly as is	Would be back office required both in house and with contactor	Would be back office required both in house and with contactors	Would be back office required both in house and with contactors	Need to absorb the work in house	Need to absorb the work in house	Need to absorb the work in NTTC
Goodwill	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts	Problem chrysalises in accounts