



# Alternative Delivery Model Evaluation Methodology

Presentation to PRAP

2<sup>nd</sup> June 2015

# Objective of Session

- To ensure understanding of the alternative delivery model evaluation methodology, terminology and process.
- To seek Scrutiny Members comments on the methodology.



# DEVELOPING THE EVALUATION METHODOLOGY

# Background

- Organisational Change Programme
- Service Planning Framework
  - Phase 1: Service Review
    - Toolkit developed and piloted. Scheduled for minor revisions to reflect feedback and lessons learnt. Feeds into business planning process and identifies opportunities to improve performance and/or reduce costs.
  - Phase 2: Outline Business Case
    - Evaluates delivery models and identifies recommended option
    - Delivery Model Options Appraisal Toolkit being developed
  - Phase 3: Detailed Business Case
    - Utilises Green Book approach – 5 Case Model
      - Strategic, Economic, Financial, Commercial and Management

# Outline Business Case

- Evaluates alternative delivery models and identifies suggested model for each service
- Based on five case model:
  1. Strategic
    - ✓ Need for change
  2. Economic
    - ✓ Options appraisal
  3. Financial
  4. Commercial
  5. Management

***Options appraisal is an aid to decision-making. It is not the sole mechanism for determining the outcome***

# Model Evaluation Methodology

- Methodology must:
  - Be simple and easily understood
  - Be robust, transparent and auditable
  - Score models relative to each other based on Council priorities
  - Facilitate challenge on score
  - Aid the identification of a recommended delivery model
- Two stage Model Evaluation Methodology
  - Stage 1: Model scoring
  - Stage 2: Criteria Weighting
  - Recommended Delivery Model = Model Score x Criteria Weighting

The Model Evaluation Methodology is an aid to decision-making. It is not the sole mechanism for determining the outcome, other factors will be taken into account in the Outline Business Case.

# Other Factors (not exhaustive)



# Developing the 8 Criteria

- Developed by C&P, HR, Legal, Finance and Environment Teams to support the Infrastructure Services Project
- Piloted in Infrastructure Service to be adopted Corporately
- 8 Criteria to:
  - underpin the evaluation methodology
  - address Organisational Programme Objectives
  - enable consistent and objective assessment of an alternative delivery models potential to deliver a specific Council service
- Criteria independently assessed by Local Partnership as ‘appropriate and robust’





# The 8 Criteria



	How important is it that the chosen model for service delivery will allow the Council...
Reduced operating costs	To transfer risk in relation to cost reductions
	To exploit income opportunities for its benefit
Improved customer satisfaction & demand management	To maintain influence and control over day-to-day decision making
	Flexibility to change service scope and delivery specifications in future years
Improved outcomes & performance	To transfer risk in respect of operational performance
	To transfer risk in respect of repaying financial investment (if required)
	To transfer the risk to improve service delivery performance and increase capacity
Design & delivery	To realise benefits within the short term

# MODEL SCORES



# Model Scoring

- Cabinet on 20<sup>th</sup> November 2014 agreed the shortlist of alternative delivery models for the Infrastructure Services Project:
  - Modified in-house
  - Wholly Owned Arms Length Company
  - Public/Public Joint Venture
  - Public / Private Joint Venture
  - Outsourcing
- Scoring required on models in general
- All models should be scored on a 1 to 6 scale in terms of their ability to achieve each criteria
- 1 represents a minimum ability and 6 a maximum ability

# Model Scoring



Evaluation criterion statement	Question to ask when assigning model score	Modified in-house	Council owned trading company	Public / public joint venture	Public / private joint venture	Outsourcing
1. How important is that the chosen model for service delivery will allow the Council to transfer risk in relation to cost reductions	How able is the model to transfer risk for achieving cost savings away from the Council?	1	2	4	5	6
2. How important is that the chosen model for service delivery will allow the Council to exploit income opportunities for its benefit	How able is the model to exploit income generation opportunities for the Council's benefit?					
3. How important is that the chosen model for service delivery will allow the Council to maintain influence and control over day to day decision making	How able is the model to allow the Council to maintain influence and control over day-to-day decision making?					
4. How important is that the chosen model for service delivery will allow the Council flexibility to change service scope and delivery specifications in future years	How able is the model to allow the Council to easily change service scope and delivery specifications in future years?					
5. How important is that the chosen model for service delivery will allow the Council to transfer risk in respect of operational performance	How able is the model to transfer risk in respect of operational performance?					
6. How important is that the chosen model for service delivery will allow the Council to transfer risk in respect of repaying financial investment (if required)	How able is the model to transfer risk in respect of repaying financial investment (if required)?					
7. How important is that the chosen model for service delivery will allow the Council to transfer risk to improve service delivery performance and increase capacity	How able is the model to transfer the risk to improve service delivery performance and increase capacity?					
8. How important is that the chosen model for service delivery will allow the Council to realise benefits within the short term	How able is the model to realise benefits in the short term?					

# Model Scoring

- Infrastructure Project Board members independently scored the capability of shortlisted Models to achieve the criteria
- Local Partnerships facilitated meeting agreed consensus model scores
- Union Engagement on Model Scores
- Model scores should be generic across all services but there is scope to amend in exceptional circumstances - any slight changes to the scores would be rare and would need to be evidenced.



# CRITERIA WEIGHTING



# Criteria Weightings Matrix

- Criteria Matrix Statement Weightings
  - “How important is it that the chosen model for service delivery will allow the Council ...” then 8 Criteria
  - Matrix explains factors if scoring high or low
  - 100 points to be allocated across 8 criteria - (min 0 and max 30 for any one criteria)
- Piloted in Infrastructure Services
  - OMs scored criteria based on Service Reviews setting out their reasoning
  - Reviewed by Directors in challenge sessions and Directors briefed Cabinet Members
  - Score challenged by Local Partnerships who are acting as ‘critical friend’
  - Methodology, scores and reasoning presented to Unions for comments
  - Enabling & Commissioning Programme Board agreed
    - That once consultation process with Unions and staff on the weightings has been concluded that final weightings are used to determine the recommended model for each Infrastructure Service

# Criteria Weighting

- Explanation of the Criteria Weighting Matrix handout to be provided.
- The Matrix provides a clear statement on when a high or low score should be given.
- Criteria weightings are specific to each service.





## WORKED EXAMPLE



# Worked Example 1



**DRAFT**

		Name of Service										
		Weighting	In House		Teckal		Pub/Pub JV		Pub/Priv JV		Out	
			Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score
<b>How important is it that the chosen model for service delivery will allow the Council....</b>												
Reduced Operating Costs	to transfer risk in relation to cost reductions (Cost Security)	10	1	10	2	20	4	40	5	50	6	60
	to exploit income generation opportunities	15	3	45	4	60	5	75	5	75	2	30
Improved Customer Satisfaction and Demand Management	to maintain influence and control over day to day decision making	25	6	150	4	100	3	75	2	50	1	25
	flexibility to change service scope and delivery specifications in future years	20	6	120	5	100	4	80	3	60	2	40
Improved Outcomes and Performance	to transfer risk in relation to operational performance	5	1	5	2	10	3	15	4	20	5	25
	to transfer risk in respect of repaying financial investment (if required)	5	1	5	1	5	4	20	4	20	6	30
	to transfer risk in the delivery of service performance and improvements	10	1	10	3	30	4	40	5	50	5	50
Design & Delivery	to realise benefits within the short term	10	4	40	3	30	3	30	2	20	2	20
		<b>100</b>		<b>385</b>		<b>355</b>		<b>375</b>		<b>345</b>		<b>280</b>

# Worked Example 2



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		Name of Service										
		Weighting	In House		Teckal		Pub/Pub JV		Pub/Priv JV		Out	
	How important is it that the chosen model for service delivery will allow the Council....		Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score
Reduced Operating Costs	to transfer risk in relation to cost reductions (Cost Security)	25	1	25	2	50	4	100	5	125	6	150
	to exploit income generation opportunities	15	3	45	4	60	5	75	5	75	2	30
Improved Customer Satisfaction and Demand Management	to maintain influence and control over day to day decision making	5	6	30	4	20	3	15	2	10	1	5
	flexibility to change service scope and delivery specifications in future years	10	6	60	5	50	4	40	3	30	2	20
Improved Outcomes and Performance	to transfer risk in relation to operational performance	5	1	5	2	10	3	15	4	20	5	25
	to transfer risk in respect of repaying financial investment (if required)	5	1	5	1	5	4	20	4	20	6	30
	to transfer risk in the delivery of service performance and improvements	15	1	15	3	45	4	60	5	75	5	75
Design & Delivery	to realise benefits within the short term	20	4	80	3	60	3	60	2	40	2	40
		<b>100</b>		<b>265</b>		<b>300</b>		<b>385</b>		<b>395</b>		<b>375</b>





# UNION ENGAGEMENT



# Union Engagement

## Key dates

- Meeting to discuss ADM Evaluation Methodology
  - 6<sup>th</sup> March, 16<sup>th</sup> March, 15<sup>th</sup> April and 11<sup>th</sup> May (½ day workshop)
  - Unions agreed that they understood the alternative delivery model evaluation methodology, terminology and process
- Meeting to score the Models
  - 18<sup>th</sup> May
- Meetings to discuss proposed Infrastructure Service Area weightings and reasoning.
  - 18<sup>th</sup> March and 25<sup>th</sup> March
  - Scheduled for 11<sup>th</sup> and 17<sup>th</sup> June - Unions and Service Area Director and OM to discuss proposed scores

## Next Steps

- Finalise Union Consultation on ADM Evaluation Methodology
- Outline Business Case to Cabinet

**If the outline business case is approved, development of a full business case begins**

**If at any time the case doesn't stack up, alternatives will be considered**

**Modified In House comparator is always an option**

# COMMENTS



# Comments

Scrutiny Members are asked for comments on the:

1.8 Criteria that underpin the evaluation methodology

2. Model Scores

3. Weighting Criteria

4. ADM Evaluation Methodology

