



REPORT OF:	CORPORATE MANAGEMENT TEAM
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TO:	EXECUTIVE
DATE:	17 th June 2010
EXECUTIVE MEMBERS:	COUNCILLOR R.C. NEWSTEAD and COUNCILLOR V.W. BROAD

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	All

SUBJECT:	ORGANISATIONAL CHANGE PROGRAMME - ALTERNATIVE SERVICE DELIVERY
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RECOMMENDATIONS:

That :

- 1) **The Public Sector Partnership option for Tranche 1 services be approved.**
- 2) **The Acting Chief Executive be authorised to progress negotiations for the development of a Public Sector Partnership Agreement (including governance arrangements) with Kent County Council.**
- 3) **A further report be brought to the Executive detailing the conclusions of negotiations with Kent County Council, the Heads of Terms of a Memorandum of Understanding and proposals for a Joint Committee to govern the partnership.**
- 4) **To continue to participate in the Surrey First initiative as follows :**
 - a. **To actively track, in a managed way, all activities of Surrey First and to engage where there is seen to be a clear operating benefit to the Council and its residents and businesses. This to include Waste Management, Asset Management, Procurement and ICT (only where this is compatible with the proposed partnership with KCC.)**
 - b. **All services that form part of ASD Tranche 1 (other than ICT - see a) above) are precluded from this as they must be considered as a 'complete' package in terms of the proposed partnership agreement with Kent CC.**

REASONS FOR RECOMMENDATIONS:

To determine the preferred sourcing option for Tranche 1 services to deliver the savings required by the Corporate Plan 2009-12 and the Medium Term Financial Strategy and to commence the work on putting in place the necessary Partnership

Agreement.

EXECUTIVE SUMMARY:

Within the Council's overall Sourcing Strategy, the Alternative Service Delivery Tranche 1 project is tasked with realising a £1 million saving for the Council over the period of the Corporate Plan, 2009-12. This report sets out the evaluation of the options for Tranche 1 services namely:

1. Internal Transformation (DIY).
2. Outsourcing to a commercial provider.
3. Public Sector Partnership, incorporating internal transformation.

It is recommended that Public Sector partnership should be adopted as the preferred option. The necessary authority to proceed with the development of an appropriate Partnership Agreement is also requested.

Executive has authority to approve the above recommendations.

STATUTORY POWERS

1. Statutory powers exist that allow the Council to set up vehicles for the delivery of its activities through shared services or through outsourcing. These include (dependent upon the model adopted) :
 - *Section 101 of the Local Government Act 1972.*
 - *Section 95 of the Local Government Act 2003.*
 - *Local Government Act 1989.*
 - *Local Government (Companies) Order 1995.*

BACKGROUND

2. In 2007 the Council worked with Mole Valley and Tandridge District Councils on the potential for extensive shared services through the East Surrey Improvement Partnership (ESIP). Although ESIP did not progress, key lessons were learned and this Council continued to believe that sharing services through public sector partnerships was a valid option for the cost effective delivery of public services. Consequently Officers have continued to look towards partnership options over the last few years.
3. In part learning from the ESIP experience, the current Corporate Plan recognises that in order to maintain and improve services within a reducing cost base the Council needs to consider methods of Alternative Service Delivery. The Council's Medium Term Financial Strategy has set a £4 Million Revenue budget saving target over three years from which 25% (£1 million) is to be achieved by Alternative Service Delivery.

4. The Sourcing Strategy created a framework for Alternative Service Delivery by ensuring our community continues to receive good quality services delivered in the most cost effective way through commissioning of partnership and outsourced services. The strategy was adopted by Executive on 25th March and by Council on 15th April.
5. Consideration of the above drivers and the maturity of markets for delivering different groupings of services resulted in four 'tranches' of services to be examined for potential Alternative Service Delivery. Tranche 1 is the most clear in terms of suitability for consideration of alternative delivery methods at this stage and comprises:
 - Personnel and Payroll.
 - Revenues and Benefits.
 - ICT.
 - Finance and Procurement.
6. Customer Services was not included in the original list but was latterly included after market feedback indicated the potential high value of their inclusion, particularly for the outsourcing option.
7. Work has been undertaken, with the Officer Team and Executive Members working together, to establish options available and to narrow those options down to arrive at a clear way forward for the Tranche 1 services. This has led to the three options presented in this report :
 - To undertake a **radical internal transformation** (referred to as the 'DIY' approach).
 - **Outsourcing** of Tranche 1 services to a commercial provider.
 - Development of a **public service partnership** model, in tandem with a programme of internal change.

EVALUATION CRITERIA

8. At the Executive on 28th January, 2010 weighted criteria for the evaluation of options were agreed and these are set out at *Annex 1*.
9. This report sets out the evaluation of the options and recommends a way forward for Tranche 1 services.

THE OPTIONS

Internal Transformation (DIY)

10. This option considers the Council's ability to realise the Alternative Service Delivery targets through internal change.

Outsourcing to a Commercial Provider

11. This option considers the Council's ability to realise the Alternative Service Delivery targets through outsourcing services to a commercial provider.

Public Sector Partnership

12. This option considers the Council's ability to realise the Alternative Service Delivery targets through the development of shared services in a public sector partnership; initially with Kent County Council, but with the aim of widening the partnership.
13. Detailed evaluations of all three options are found in *Annex 2*.

SURREY FIRST

14. In the late summer of 2009, the Leaders of the Boroughs/Districts and County Councils within Surrey, together with the Surrey Police Authority, established an initiative called Surrey First. One objective of Surrey First is to promote the creation of a shared service vehicle for Surrey. The initiative includes five initial main work streams :
 - Looking for large scale HR solutions.
 - Looking for a countywide approach to waste management.
 - Exploiting joint assets.
 - A joint approach to ICT provision.
 - A joint approach to procurement.
15. While Reigate & Banstead favour participation in this initiative, the Executive approved the Council's membership of a Joint Committee in March 2010, it is not currently moving at the speed that matches our savings requirements. Nor are relationships or thinking as well developed as those reached with Kent County Council. Nevertheless the Partnership option in this report has been framed in such a way that it would be possible to link the proposed partnership and any outcomes of Surrey First.
16. This report proposes we will participate in the Waste, Procurement and Asset work streams of Surrey First regardless of the recommended option for Tranche 1 services, and the ICT work stream through the partnership option.

FINANCIAL ANALYSIS

17. High level indicative figures have been calculated for each option. It has been necessary to make certain assumptions within the financial calculations. These assumptions are consistent across all options. Detailed figures are shown within the evaluations attached at *Annex 2* and can be summarised as follows:

Financial Evaluation

	Option 1 DIY	Option 2 Outsourcing	Option 3 Public Sector Partnership
Indicative annual savings gross (£000)	579	475 - 1,222 depending on how radical	890
Less Client & retained activities per annum (£000)	0	322	174
Net savings per annum (£000)	579	153 - 900	716
% net savings	16.8%	4.4%-26.1%	20.8%
Timings	2010-11 Majority of projects	2012-13 Likely to take over a year Savings year 2 of the contact	2010-11 Many projects
Impact on staff numbers	Reduction of 21 FTEs	Reduction of up to 70 posts	Reduction of 18.5 FTEs
Capital Investment (Total £000)	510	None ¹	510
Project Implementation Costs	Can be included within existing budgets	275	130

¹ Although any investment could be funded by the Council's Capital programme.

RISK ANALYSIS

18. A detailed risk analysis of all options has been carried out. Risks have been categorised using the agreed evaluation criteria, enabling a match of key risks against that which the Executive have determined is most important in determining the right solution for the Council. The risk assessment is seen at *Annex 3*.

19. The key risks are:-

Key Risk	
DIY	<p>Savings may be eroded through scope creep or additional work.</p> <p>There may be only a limited potential for future income generation or for further efficiency savings.</p> <p>There may be a lack of service reliability or resilience due to staff shortages.</p> <p>The lack of external challenge and stimulation may cause an inability or unwillingness to identify and make change and stifle innovation.</p> <p>Organisational development, ensuring the Council remains 'fit for the future', may stagnate because of insufficient attention to staff development.</p>
Outsourcing	<p>Uncontrolled growth in the retained functions and client side may erode savings.</p> <p>Change in leadership or senior management may result in a loss of support for the principles of outsourcing.</p>
Partnership	<p>Uncontrolled growth in the retained organisation or client side may erode savings.</p> <p>Change in leadership or senior management may result in a loss of support for the principles of partnership.</p>

OVERALL EVALUATION AND RECOMMENDATION

20. The evaluation exercise carried out, as described in *Annex 2*, determines the appropriate option for this Council as being the public sector partnership option. The Executive is therefore recommended to approve the partnership option and to approve the supporting recommendations at the head of this report.

OPTIONS

21. The Executive may:
 - a. Approve the recommendations in this report.
 - b. Choose not to approve the recommendations and instead approve either of the other two options detailed in the report.
 - c. Choose not to approve the recommendations and direct officers to return to a future Executive with alternative proposals.

LEGAL IMPLICATIONS

22. Both the outsourcing and partnership options will require legal resources. The work will include :
 - A possible EU procurement for outsourcing.
 - Creation of new entities for shared services.
 - Staff considerations around TUPE.
 - Impact on the Constitution of the Council.

FINANCIAL IMPLICATIONS

23. Budget for the overall Alternative Service Delivery project is allocated within the Corporate Plan Delivery Fund. There is no call on further funds from this report.

EQUALITIES IMPLICATIONS

24. There are no specific activities covered in this report that need Equalities Impact Assessment at this stage. However, the Council will need to evaluate the equalities impact on individual services subject to Alternative Service Delivery to assess the impact on customers and access to services.

OTHER IMPLICATIONS

The Wider Organisation

25. Whilst Alternative Service Delivery will directly affect only a part of the Council, it is clear that, whichever option is chosen it will require changes to the remaining structure, and therefore affect all staff. Additionally, staff with appropriate skills will be needed to manage the recommended solutions. Reports will be brought forward on proposed changes to the management structure and resource requirements to deliver the preferred option and to ensure the Council is well placed to effectively manage the new arrangements.

CONSULTATION

26. Executive Members and Officers met with the Budget Scrutiny Panel on 1st February 2010 to review the work done at that stage which helped inform the recommendations in this report. The Panel's comments were reported to the Executive meeting of 25th March as part of the Sourcing Strategy report and are included at *Annex 4* for this report.
27. The Leader of the Council has agreed with the Chairman of the Overview and Scrutiny Committee that the nature of this decision is so important to the Council that the Overview and Scrutiny Committee appoint a Panel to conduct a pre-scrutiny examination of this report and to provide detailed scrutiny throughout the whole programme of work. The panel is meeting on 10th June to conduct the pre-scrutiny work and its comments will be tabled through a lay round at the Executive meeting on 17th June.
28. Affected staff have been both consulted and involved at all stages of the process to date. Trade Unions have also been consulted through the mechanism of the Local Joint Forum as well through informal briefings, and all staff have received regular updates via the staff intranet and cascaded management team briefings.
29. While not yet in post, the newly appointed Chief Executive of the Council, has seen this report and has signalled his general approval of the recommendation to establish a public sector partnership. Clearly there will be opportunity for the new Chief Executive to assess the partnership before it is finalised through the means anticipated at recommendation 2 above.

POLICY FRAMEWORK

30. Alternative Service Delivery is a key project within the Organisational Change Programme, one of the three programmes that are delivering the 2009-12 Corporate Plan. The proposals set out in this report are consistent with the recently adopted Sourcing Strategy.

Background Papers: 'For better for worse - Value for Money in Strategic Service partnerships' - Audit Commission 2008
'Sharing the Gain - Collaborating for cost -effectiveness' - CIPFA 2010
'Make, Buy, Share - The SOLACE Sourcing guide' - SOLACE 2008

Annexes

1. Evaluation Criteria
2. Strategic Options Evaluation
3. Risk Assessment
4. Overview and Scrutiny Budget Panel comments

ANNEX 1

Evaluation Criteria

Outcome	Objective	Weighting
<p>Sustainable Savings</p> <p>Budget predictability but with flexibility for agreed future changes</p>	<ul style="list-style-type: none"> • Certainty and amount of savings • Savings in year one and optimal savings over the life of the programme • Future income opportunities • Affordable client and partnership infrastructure • Confidence in achievability and speed to close • Continuous improvement and verifiable upper quartile unit costs 	40
<p>Service Quality</p> <p>Services are maintained at least at their current upper quartile level</p>	<ul style="list-style-type: none"> • Improved outcomes and council reputation • Driving organisational savings and efficiency including asset/space rationalisation • Enabling service improvement through technology and innovation 	20
<p>Future Proofing</p> <p>Flexible, agile infrastructure and systems</p>	<ul style="list-style-type: none"> • Supporting inter-agency (joined-up) working • Improving ability to be responsive to community needs • Offering flexibility to manage change in service delivery 	30
<p>Right Minded Organisation</p> <p>Platform for organisational and cultural change.</p>	<ul style="list-style-type: none"> • Supporting vision for organisation • Creating sustainable and manageable arrangements • Supporting customer orientated approach • Supporting responsible and business-like culture • Strengthening accountability and managerial leadership 	10



REIGATE AND BANSTEAD BOROUGH COUNCIL

SOURCING STRATEGY

PHASE 1 - ALTERNATIVE SERVICE DELIVERY

EVALUATION OF THE STRATEGIC OPTIONS

VERSION 8

Release: 1.0

Date: 19/5/2010

Author: Bryn Panther

Owners: Paul McCallum and Graham Cook

BUSINESS CASE HISTORY

Revision History

Revision date	Previous revision date	Summary of Changes	Changes marked
3/11/09		Initial version	
29/1/10	3/11/09	Significant content added	
3/2/10	29/1/10	Paragraph moved from partnership option to business need section. Words added to options long list	
11/2/10	3/2/10	Typo's corrected and risk section added	Y - track changes
19/2/10	11/2/10	Track changes accepted by GC/PMc	
24/2/10	19/2/10	Remove Risk assessment to go as separate paper	
25/2/10	24/2/10	Formatting changes, initial financials added, words on risk added	Y - track changes
5/3/10	25/2/10	Clean draft issued	
11/3/10	5/3/10	A Ford's comments incorporated	
5/3/10	19/3/10	Clean draft issued incorporating G Cook and W. Whittaker comments	
8/4/10		Fundamentally reworked (structure rather than content) to reflect the report. WPW	
5/5/10		Drafting comments from GC	Y -track changes
10/5		Risks carried through from risk analysis	Y
19/5/	10/5	Updated following CMT Whitelist comments	Y - track changes

INTRODUCTION

1. In a report to the Executive on 7th January 2010 four strategic options were identified to meet the required outcomes of sustainable savings, maintained service quality and a Council fit for the future as identified in the Council's Sourcing Strategy and in particular for Tranche 1 services as incorporated in the ASD project. The options are:

Internal Transformation (DIY)

This option requires the Council to invest in itself to redesign services for the future and achieve the savings targets. A series of projects have been identified to achieve this redesign.

Outsourcing

This option assumes the Council contracts out all of the services in scope to one commercial provider.

Public Sector Partnership

This option assumes the Council forms a partnership with other public sector organisations.

Mixed Economy

This option is a mixture of all or some of the above.

2. It was clear in interviewing a number of major outsourcers and in developing the options for potential partnerships that scale of operation and opportunities for integration are important for success.
3. A diversity of providers also means a more complex, and therefore costly, client team.
4. For these reasons, the Mixed Economy option has not been developed further and the options have been reduced to three for the purposes of this evaluation.

OPTIONS SUMMARY AND RECOMMENDATION

5. The remainder of this document provides more detailed information on the work done in appraising each option. However the key summary is as follows:

Summary of Key Risks

DIY Risks

6. Savings may be eroded through scope creep or additional work.
7. There may be only a limited potential for future income generation or for further efficiency savings.

8. There may be a lack of service reliability or resilience due to staff shortages.
9. The lack of external challenge and stimulation may cause an inability or unwillingness to identify and make change and stifle innovation.
10. Organisational development may stagnate because of insufficient attention to staff development.

Outsourcing Risks

11. Uncontrolled growth in the retained functions and client side may erode savings.
12. Change in leadership or senior management may result in a loss of support for the principles of outsourcing.

Partnership Risks

13. Uncontrolled growth in the retained organisation or client side may erode savings.
14. Change in leadership or senior management may result in a loss of support for the principles of partnership.

Summary Financial Evaluation

	Option 1 DIY	Option 2 Outsourcing	Option 3 Public Sector Partnership
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A more detailed breakdown of projected savings is seen at Appendix 1.

Fit with key outcomes

	Option 1: DIY		Option 2: Outsourcing		Option 3: Public Sector Partnership	
Desired outcome	Fit		Fit		Fit	
<p>Sustainable Savings</p> <p>Budget predictability but with flexibility for agreed future changes</p>	Low	Lower level of savings than the other options. Limited scope for future income generation. Limited flexibility because of the small size of the reduced organisation and hence no improvement in resilience.	High	Substantial savings in the short term with radical option. Key feature of an outsourcing contract sees savings embedded within the contract terms.	Medium	Substantial savings possible. Potential long term rewards are greater than the other options. Enhanced opportunity to realise greater savings over the mid and longer term.
<p>Service Quality</p> <p>Services are maintained at least at their current upper quartile level</p>	Low to Medium	Current good performances would be enhanced by investment in new systems which will enable improved and more efficient working practices. Without the stimulus of third party involvement, service quality could erode over time.	Medium	Service quality retained and resilience enhanced.	High	Service quality retained and resilience enhanced. The initial partners are both high performing authorities.
<p>Future Proofing</p> <p>Flexible, agile infrastructure and systems</p>	Low	Agility retained. Improvement would come from investment in new and revised systems but there would be lack of external challenge and stimulation.	Low to medium	An outsourcer can provide all of this but is likely to come at a price either built into the contract or iteratively whenever major change is called upon.	High	The flexibility and agility that comes from the in house running of key services may be slightly diminished but not in the same degree as outsourcing. As the partners would be other local authorities, the pressures for change are likely to be the same.

				<p>Current organisational flexibility may be constrained by an outsourcing contract. The Council would also lose a degree of control at a detailed level in the running of the outsourced services.</p>		
<p>Right Minded Organisation</p> <p>Platform for organisational and cultural change.</p>	<p>Low to Medium</p>	<p>A continued emphasis would be required on organisational and cultural change.</p>	<p>Low to Medium</p>	<p>An outsourcer can positively influence its own staff and if on site, to a degree influence the Council's remaining staff through its interactions with them. It is also the case that the Council's retained organisation will need to reflect the reality it finds itself in. However, the underlying responsibility for Organisational and Cultural change will always lie with the Council organisation itself no matter how big or small.</p>	<p>High</p>	<p>Working in partnership with another high performing Local Authority will assist in changing /influencing the council's managerial culture. Good governance and Leadership will be essential.</p>

Option Evaluation Exercise

15. Using the weightings previously agreed and attached to the report as Annex 1, plus key inputs such as the fit with key outcomes above, and the summary financial data, a scoring exercise was carried out by members of the Executive and senior officers.
16. A score out of 10 was given to each heading and multiplied by the weighting factor to produce results as shown below. The results of all the exercises were consolidated into the following table.

Criteria	Weighting	DIY	Outsourcing	Partnership
Sustainable Savings	X4	20	28	25
Service Quality	X2	10	12	15
Future proofing	X3	15	15	20
Right minded organization	X1	5	5	5
TOTALS		50	60	65

17. It should be noted that members' scoring showed a wider gap between outsourcing and partnership reflecting a political emphasis on public sector partnership for public service delivery that is being seen nationally.

Conclusions from Evaluation Exercise and the Preferred option

18. Overall, from the evidence presented in the detail part of this document and as reflected by the evaluation exercise, the preferred option is Public Sector Partnership. Below is a breakdown of the conclusions reached in arriving at the preferred option
19. All options would achieve substantial savings. Outsourcing would produce more certain savings in the short-term. Public Sector Partnership would also provide a substantial proportion of the required savings in the short term but with an enhanced opportunity to realise greater savings over the mid and longer term.
20. Current good performance would be enhanced by the DIY investment in new systems, enabling improved and more efficient working practices.

21. Both Outsourcing and Public Sector Partnership would retain service quality and enhance resilience. KCC, like RBBC, is a high performing organisation.
22. With outsourcing, the Council would lose a lot of its current ability to flex to changing situations quickly. This ability would likely be replaced with agility from a supplier but with a price for that agility. The Council would lose a degree of control at a detailed level in the running of the outsourced services.
23. The contractual nature of outsourcing reduces the opportunities for working in partnership with other public sector agencies and through the cost of the contract, money is being 'lost' from the public sector purse.
24. The Public Sector Partnership model ensures that funds are retained within the public sector and any surpluses generated as the partnership model is developed are retained for use as appropriate within the public sector.
25. Further opportunities will arise to deliver services in partnership beyond the tranche one services, preserving or improving service quality and resilience and reducing costs. This is particularly relevant for functions which the outsourcing market would not want to manage (e.g. the non transactional elements of Personnel) or services the Council would generally want to see managed within the public sector (e.g. Treasury Management).
26. The Council's ability to react to changing situations quickly would be reduced in the Public Sector partnership option, but not to the degree that is anticipated through commercial outsourcing. As the partners would be other local authorities these partners would face many of the same challenges and pressures for change as this council. Solutions would be developed in partnership.
27. Although the Council has historically demonstrated the ability to embrace change, the DIY option lacks external challenge and stimulation.
28. The preferred option reflects a preference by the Council for slightly lower guaranteed savings, but with greater control, flexibility and influence over the delivery of the services within the project, as well as greater potential for future savings/income generation. This also reflects a greater fit with the perceived direction of travel for public sector services as illustrated by the 'Total Place' agenda which sees seamless delivery of public services from the whole sector on a local basis.

GENERAL APPROACH TO THE OPTIONS APPRAISAL

29. Each of the main strategic options has been appraised at high-level, drawing on the research undertaken to date. The degree of research undertaken at this stage has been judged to be sufficient to indicate a preferred way forward without committing abortive costs to refining options that are unlikely to provide a good strategic fit for the Council.
30. Each of the options is evaluated in turn and a preferred strategic option is recommended for further development. In the next phase of the implementation, the preferred strategic option approved by the Executive will be developed in detail. A full business case will be prepared for approval as part of that implementation.

Evaluation

31. This strategic options appraisal addresses the services within Tranche 1, which are:
 - a) Finance and Procurement
 - b) Personnel and Payroll (HR)
 - c) ICT
 - d) Revenues and Benefits.

Customer Services are included within Tranche 1 but have not been evaluated under the strategic options appraisal at this stage.

32. The options have been evaluated using the agreed criteria, as attached at Annex 1 to the report.
33. This evaluation has been informed by a range of visits by the Executive Member Group (Councillors R Newstead, V Broad and A Kay) and officers to outsourced, shared service and partnership sites including:
 - Havant Borough Council
 - Hart District Council
 - North Somerset Council
 - Mid Suffolk District Council/Suffolk County Council
 - London Borough of Wandsworth (Member visit only)
 - Kent County Council
 - Southampton City Council (Officer visit only)
 - Mendip District Council (Officer visit only)
34. Scoring against the weighted evaluation criteria was undertaken by both the Executive and the Officer Team, working with the Council's consultants.

Client Function

35. A skilled and focused client team is essential to the success of any outsourcing arrangement. The team will manage the provider's performance, monitor expenditure and specify and negotiate changes to the contract.
36. Additionally the client team will have responsibility for leading the Council's 'Fit for the future' section of the Corporate Plan and providing strategic support to the Council's use of ICT.
37. A similar but smaller team will also be required to manage the relationship with the partnership.
38. In addition, there are certain activities which can be undertaken only by a public sector organisation. For example there is a legal requirement for the Council to carry out sampled checking of benefit determinations and decisions. The Head of Community Services has calculated the staff numbers and grades required to discharge this duty.
39. The project team examined the approach to the client function taken at a number of reference sites. They also took advice from the Council's external advisers, 8020 Insight. A structure for the client and retained function, for both the outsourced option and the public sector partnership option, was drafted and costed for inclusion in the evaluation. However the final structure and grading of posts will depend on the decisions the Council makes on service mix and form of provision.

Key Principles

40. Certain principles underpin the Sourcing Strategy and are required to be taken into account when evaluating service delivery options for projects arising from the Sourcing Strategy¹. Where these have implications for the option being appraised, this has been highlighted within the detailed evaluation of that option. The principles are:
 - The size of the directly employed workforce will reduce because services/functions will be delivered through other mechanisms.
 - Retention of intellectual capital/local expertise will be an important priority.

¹ Paragraph 16 of the Sourcing Strategy Annex A to report to Executive 25 March 2010.

- Functions might be “core” but headcount and ways of working are not sacrosanct.
- Work location is not a key issue but the council does not favour “off shoring” (the delivery of services through organisations based outside the UK.)
- Ownership of our depots and other operational buildings will be retained.
- The final mix of service provision and discussions with partners (public and private) will govern decisions on office accommodation.
- TUPE (Transfer of Undertakings - Protection of Employment Regulations 2006) will apply in all circumstances to those staff transferred to other bodies.
- The Sourcing Strategy will be complemented by appropriate organisational development work to ensure that retained staff have the right skills to work effectively in the new environment.

The achievement of the required savings whilst maintaining service quality is the aim. This focus means that how quickly new arrangements can be put into place, whilst important, is not the main driver.

Financial Assumptions

Baseline Budget

41. The total budget for 2009/10 for the services in Tranche 1 is £4.041 million. Corporate costs such as audit fees, investment income and benefit payments were then deducted to give a baseline figures of £3.442 million. This figure has been used in all the options.

Redundancies

42. Each option assumes that there will be a reduction in the number of posts. This is likely to result in redundancy costs but these costs cannot be accurately assessed until the next stage of the project.
43. There are a number of mitigating actions which can be taken to reduce redundancy costs. The changes under consideration in this options appraisal require a reduction in overall staffing numbers, but the impact on individuals in the services affected can be minimised, for example by redeploying where possible. Such redeployment may be within the Council, the Outsourcer or partner organisation.

Potential for further savings

44. Once the preferred option is implemented it will be possible to judge the impact on the Council's management structure and further changes are anticipated which will generate savings. These additional savings will be substantial but no figures have been included in this evaluation.
45. All options release office accommodation. No figures have been included in the evaluation because the saving would apply to all options. However, the minimum likely saving is £60,000 per annum from releasing the south office annexe from use and thus saving on NNDR (National Non-domestic Rates); likely savings could be higher dependant on what use is then made of empty office accommodation.

Implementation Costs

46. The costs of the implementation have been included only in so far as they relate to external costs.

OPTION ONE - INTERNAL TRANSFORMATION (DIY)

Option Description

47. This Option assumes the Council would implement a series of projects to transform the service delivery of the Council's Finance, Revenues and Benefits, Personnel and ICT units. The projects include:
 - Implementation of a new combined HR/Payroll IT system which will produce integrated information, replace manual processes both within Personnel and across the Council, and allow self service by staff and managers.
 - In the Benefits unit, upgrading the technology (e-Capture & e-Benefits) and introducing document imaging and workflow to automate current manual processes, deliver integrated information and enable changed working practices e.g. more mobile working.
 - ICT Infrastructure improvements.
 - Finance system enhancements.
48. These projects would need significant capital investment, totalling an estimated £510,000.

Approach

49. A team of officers from the Tranche 1 services undertook the task of establishing whether the Council could realise the required savings through a programme of internal change. They identified the costs and benefits of a series of projects and process re-engineering which would deliver the required efficiencies.

Financial Evaluation

50. The indicative figures for the DIY option are set out in the following table.

Table 1: Indicative Figures for Option 1: DIY

	(£000)	
Baseline budget (per annum)	3,442	
Future budget (per annum)	2,863	
Net saving (per annum)	579	16.8%
With effect from		2011/12
Capital investment (Total)	510	
Implementation costs	0	

Net Savings

51. The estimated savings per annum are £579,000. There are no additional costs for a client team, which would not be required in this option.

Timings

52. The investment programme can start immediately, and the benefits will accrue as soon as each project is completed. However many of the projects call upon the same resources and can be implemented only in turn.
53. The majority of the transformation projects would be delivered during the 12 months following approval to proceed which should allow savings to accrue during budget year 2011/12.

Capital Investment

54. There is one off capital investment of £510,000. All of these costs fall to the Council. These costs include the estimated costs of implementation resources.

Implementation Costs

55. There are no implementation costs outside the costs of implementing the projects. The figure for capital investment includes these costs e.g. backfilling costs.

Impact on Staff

56. This option produces a reduction of 21 FTEs from the current 95 FTEs. Any redundancy costs would fall to the Council. As for all the options this option involves significant changes in ways of working, which may influence staff morale in Tranche 1 services. The changes also affect a wider group of staff, who, as recipient of Tranche 1 services, will use different systems and processes, for example self-service for Personnel services.

Additional benefits

57. The implementation of these changes will create a significantly different organisational structure, which will result in a likely reduction in senior management posts.

Implementation Issues

58. Timing is a key issue for this option. There are windows of opportunity through the year where such changes can be implemented without disrupting service provision. Managing the interdependencies well would be critical to timely delivery.
59. Keeping a keen corporate discipline is also a key issue. Internal resources are essential to the successful implementation of the projects. Availability of these resources would therefore be dependent on these projects having the necessary priority and resources not being diverted to other corporate priorities.
60. Releasing cashable savings can be challenging for internal change projects, and given the large amount of change, there may be a requirement for external resource to assist with change management.

Key Risks

61. Savings are eroded through scope creep or additional work.
62. There may be a lack of service reliability or resilience due to staff shortages.
63. The lack of external challenge and stimulation may cause an inability of unwillingness to identify and make change and stifles innovation.
64. Organisational development may stagnate because of insufficient attention to staff development.

OPTION TWO - OUTSOURCING TO A COMMERCIAL PROVIDER

Option Description

65. In this option, the services in scope are outsourced to a single private sector provider. There is a mature market in the services in Tranche 1, the market has expressed a strong interest in RBBC due to the scale of services on offer, and the Council's willingness to see services delivered off site.
66. This option would consist of the competitive procurement of a third party supplier who would take over the delivery of all the services in scope.
67. Outsourcing presents a likely range of savings dependant on the final design of service chosen by the council. In the least radical option, services are tailored to Reigate & Banstead, delivered in much the same way as present and largely delivered on site. In the most radical option, services are delivered according to the outsourcer's standard delivery model and few jobs will remain on site. This allows the contractor, and hence the Council, to benefit from economies of scale and relocating functions to areas of the country where employment costs are lower.
68. Any outsourcing contract is likely to be for a period of ten years.

Approach

69. The outsourcing evaluation began with some preliminary work with one of the major UK outsourcing companies to understand at an early stage whether outsourcing was realistic given the Council's size and the services being considered. This was confirmed, along with a very early indication that savings targets were also realistic. As indicated at paragraph 33 above, a number of visits have been made to Councils operating both new and mature large scale outsourcing operations.
70. Work on developing the outsourcing option included a 'soft' market test where four of the leading private sector providers visited the Council and had discussions with Directors on a range of topics. This included the relative attractiveness of the Council's 'offer' to them, current activity in the market as a result of the recession, and the likely results for the Council of going out to tender.
71. Although all offer different models, all were equally confident of producing savings to the Council of an average 15% of budget for the in-scope services, though the savings varied between services. This information has been used as a basis for the figures below.

Financial Evaluation

72. The tables below indicate the medium position and the very radical position.

Table 2: Indicative Figures for Option 2: Outsourcing Medium

	(£000)	
Baseline budget (per annum)	3,442	
Future budget (per annum)	2,967	
Saving per annum	475	
Less Client/retained activity	322	
Net saving (per annum)	153	4.4%
With effect from		2012/13
Capital investment (Total)	0	
Implementation costs	275	

Table 3: Indicative Figures for Option 2: Outsourcing Radical Option

	(£000)	
Baseline budget (per annum)	3,442	
Future budget (per annum)	2,220	
Saving per annum	1,222	
Less Client/retained activity	322	
Net saving (per annum)	900	26.1%
With effect from		2012/13
Capital investment (Total)	0	
Implementation costs	275	

Net Savings – Ongoing costs

73. The indicative net savings per annum for the outsourcing option after accounting for ongoing costs (largely operating a client function) are in the range £153,000 to £900,000.

74. As mentioned above this option requires a client side team to manage the relationship with, and performance of, the outsourcer, and to manage certain activities that will need to be retained by the Council. These retained activities include:
- Leading on the Council's Financial and ICT strategy
 - The statutory Section 151 officer.
 - Staff carrying out quality checks on Benefits decisions as required by law
75. The estimated cost of the client and retained side is £322,000 per annum as reflected in the tables above.
76. The ongoing success of any contractual relationship relies on an effective client team within the retained organisation.

Timings

77. An outsourcing contract would take time to put into place. The outsourcers indicate that savings would not accrue until Year 2 (2012/13) for the radical option.

Capital Investment

78. No investment is shown because no improvement to services is built into this option. If the Council did wish to invest in services for example, in a decentralized Personnel system, the Council could use its own capital to fund any investment required and there would be a capital cost. All of the Outsourcers indicated that Local Authority capital can be provided more cheaply than they can provide and that the contract price would be lower if this investment route was agreed.

Implementation Costs

79. There would be significant implementation costs including procurement, legal and advisory. The level of these would depend on the route taken. These are estimated at £275,000.

Additional Comments

80. The market for outsourced back office services is now mature with several well-used models available. Most of the suppliers in the market have experience of Local Government outsourcing and can offer considerable expertise in this area. An outsourcing programme remains a significant change for the Council. Benefits such as cashable savings are typically built into contract performance accompanied by penalties if they are not achieved; this can give the Council much greater assurance that these benefits will in fact be realised.

81. An outsourced service provider could also work with the Council to drive out savings from procurement activity using both the provider's expertise and aggregation of purchasing scale across the provider's customer base.
82. The Council would lose some of its current ability to react to changing situations quickly. However, the major Outsourcing Suppliers are used to handling change projects, albeit at a price.
83. The contractual nature of outsourcing also means there is a cost of the lost opportunity of being able to work in partnership with other public sector agencies and a recognition that through the cost of the contract, money is being 'lost' from the public sector purse.

Impact on Staff

84. This option produces an efficiency reduction of up to 26 FTEs and a reduction of up to 70 posts, depending on how radical the Council chooses to go and the inherent implications that has for staff to transfer to a work location remote to Reigate within the UK. Redundancy costs would fall to the Council and these could be significant for this option. (See Paragraph 42 onwards above.) Staff in other departments across the Council will notice significant change, both in systems used and, possibly, the people they deal with.

Implementation Issues

85. The time to let the contract is dependent upon many factors, including how far the Council is prepared to accept standardised processes. The level of buy-in from Service Managers in the rest of the organisation and contribution to the service level specifications will also influence the ease of transition.
86. Decisions made at contract negotiation stage will affect the level of savings that are possible. The Council will have to ensure as far as possible that the outsourcing agreement is not inflexible and provides for changes in service. Service quality is underpinned by the quality of the contract with the outsourcer. From discussion with Outsourcing reference sites and the experience of our consultants, the indications are that service quality is maintained most of the time in outsourced contracts. However, there are several well-documented examples of poor service quality arising out of poorly constructed outsourcing contracts.
87. In the Council's case there is no element of 'rescue' for a failing authority that could drag the outsourcing operation's overall quality levels down.
88. A procurement of this scale will require compliance with EU regulations and will take some 12 months to complete.

89. Benefits are therefore not likely to be realised until the middle of budget year 2012/13.

Key Risks

90. Uncontrolled growth in the retained functions and client side may erode savings.
91. Change in leadership or senior management may result in a loss of support for the principles of outsourcing.

OPTION THREE - PUBLIC SECTOR PARTNERSHIP

Approach

92. As the East Surrey Improvement Partnership (ESIP) did not proceed beyond business case preparation and given that these demonstrated that there were real savings, efficiencies and improved resilience to be gained from partnership, the Council has been actively pursuing options for engaging in shared services with other Councils. Until recently there was little interest from other Surrey Districts and other options, therefore the Council has been looking further afield for potential partners, and in particular a partnership with Kent County Council (KCC) has been investigated.
93. During 2009 initial conversations between RBBC Officers and KCC Officers progressed into firm discussions on a possible partnership. Work on the DIY option demonstrated that the partnership option is complementary to this and therefore the Partnership business case assumes that the DIY option is implemented within the overall Partnership.

Option Description

94. This option looks to create a wholly Public Sector Partnership, with no particular geographic constraints, delivering services only to public sector bodies. It will start as a partnership between Reigate and Banstead Borough Council and KCC but will have the objective of attracting new members to the partnership, in order to increase economies of scale and political influence, and create potential income streams.
95. The Partnership will start with joint officer and member management boards to facilitate quick progress. However, at the appropriate time the partnership will be governed by a Joint Committee with an equal number of members from each partner. Service standards will be documented and agreed.

96. This option assumes and assimilates many of the gains and advantages of the DIY option, whilst offering additional short and longer-term advantages of partnership. Further advantages of partnership are likely to be identified because of the Public Sector common interest and objectives of the partners.
97. The investments in Revenue and Benefits systems and processes, identified in the DIY option would provide a partnership asset attractive to other district authorities.
98. Partnership with a like-minded organisation, driven by the same change agenda, will enable the partners to benefit from joint analysis and implementation of change, rather than each organisation repeating the same process internally. As the partnership will be with another Local Authority it will be possible to include services not of interest to the Outsourcing market (for example, Strategic HR and industrial relations).

Financial Evaluation

99. Indicative figures for the public sector partnership are shown in the table below. The figures include the savings identified in the DIY option.

Table 4: Indicative Figures for Option 3: Public Sector Partnership

	(£000)	
Baseline budget (per annum)	3,442	
Future budget (per annum)	2,552	
Saving per annum	890	
Less Client/retained activity	174	
Net saving (per annum)	716	20.8%
With effect from		2011/12
Capital investment (Total)	510(max)	
Implementation costs	130	

Net Savings - Ongoing Costs

100. The indicative net savings per annum for the public sector partnership option are £716,000 after taking into account ongoing costs (as with outsourcing largely the maintenance of a - smaller - client side).

101. There is a requirement for a small client side operation of 2.5 FTEs to manage the relationship with the partnership. The client team will also be responsible for the Council's Financial and ICT Strategy and may also include the statutory role of Section 151 officer. The estimated cost of the client side is £174,000 per annum as reflected in the table above.
102. In the longer term there is potential for significant income generation, as further partners join the partnership. However this is theoretical at this time, and no income has been assumed in the above indicative figures.

Timings

103. Like the DIY option, work can start immediately, and savings can accrue as the partnership develops.

Capital Investment

104. The capital investment required for this option would be less than the £510,000 shown because Kent CC would contribute to the partnership either through shared investment or access to software already implemented elsewhere. However for evaluation purposes, the £510,000 capital sum for the DIY option has been used for the partnership option too.

Implementation Costs

105. In addition to the backfilling costs that are included in the investment required, there will be costs to set up the partnership. The estimated cost is £130,000.

Impact on Staff

106. The partnership option starts with implementing the efficiencies identified in the DIY option, therefore there will be the same impact on staff - reduction of 21 FTEs. However this option finishes with an overall smaller reduction in FTEs because the Council would require a small client side of 2.5 FTEs to manage the relationship with the partnership. This would result in a net reduction of 18.5 FTEs.
107. There will be opportunities for redeployment of staff within the partnership and some staff who are no longer required to deliver RBBC services could be used as assets to further develop the Partnership.
108. At the beginning staff will still be employed by RBBC or by KCC. In the long-term there are other options. For example staff may be employed by an arms length organisation owned by the partners.

Additional Comments

109. In the short term this option offers confirmed savings on the operation of services through integration with KCC's staffing structures.
110. Further potential savings benefitting from the economies of scale offered by the KCC operations for example in banking or insurance have not been included within the option appraisal as this would prevent a like for like comparison with the outsourcing option.
111. However the above paragraph also indicates that there will be opportunities to deliver further services in partnership. This is particularly relevant for functions that the outsourcing market are less willing to provide (e.g. the non transactional elements of Personnel) or services the Council would want to see managed within the public sector (e.g. Treasury Management).
112. There is potential for significant further financial benefits as more public sector organisations seek to join the partnership.

Implementation Issues

113. The current partnership proposal relies on the 'DIY' option to make initial savings for the Revenues and Benefits functions whilst the partnership grows.
114. As this option builds on the 'DIY' option the same issues detailed in the DIY option above apply to this option.
115. Public Sector Partnership offers the potential for additional resources in terms of project skills and experience to assist with the implementation of the DIY projects.

Key Risks

116. Uncontrolled growth in the retained organisation or client side may erode savings.
117. Change in leadership or senior management may result in a loss of support for the principles of partnership.

NEXT STEPS

118. Once the Executive has made a decision as to the preferred option, a detailed business case will be developed, the project fully scoped, and implementation and resource plans prepared. A detailed communications plan will be set in train to ensure members and staff remain informed and engaged.

Background papers

'For better for worse - Value for Money in Strategic Service partnerships' - Audit Commission 2008

'Sharing the Gain - Collaborating for cost-effectiveness' - CIPFA 2010

'Make, Buy, Share - The SOLACE Sourcing guide' - SOLACE 2008

Reigate and Banstead Borough Council sourcing Strategy - as adopted 15/4/2010

Appendices

APPENDIX 1

ASD TRANCHE 1 STRATEGIC OPTIONS - SUMMARY OF INDICATIVE SAVINGS

All figures have been prepared using 2009/10 figures as the base

	(a) Current Budget £000	(b) Budget (excluding corporate costs) £000	(c) Future Budget under the option £000	(d) Saving (b) less (c) £000	%
OPTION 1 DIY					
Personnel incl Payroll	588	363	313	50	13.8%
Revs/Bens	571	1,236	972	264	21.4%
ICT	1,230	722	601	121	16.8%
Finance & Procurement	1,652	1,121	1027	94	8.4%
Other costs/savings			-50	50	
	4,041	3,442	2,863	579	16.8%
OPTION 2a OUTSOURCING					
Finance & Procurement	1,652	1,121	953	168	15.0%
Personnel incl Payroll	588	363	345	18	5.0%
ICT	1,230	722	650	72	10.0%
Revs/Bens	571	1,236	1019	217	17.6%
Other costs/savings			322	-322	
	4,041	3,442	3,289	153	4.4%
OPTION 2b RADICAL OUTSOURCING					
Finance & Procurement	1,652	1,121	613	458	40.9%
Personnel incl Payroll	588	363	158	205	56.5%
ICT	1,230	722	722	50	6.9%
Revs/Bens	571	1,236	727	509	41.2%
Other costs/savings			322	-322	
	4,041	3,442	2,542	900	26.1%
OPTION 3 PUBLIC SECTOR PARTNERSHIP					
Finance & Procurement	1,652	1,121	888	233	20.8%
Personnel incl Payroll	588	363	141	222	61.2%
ICT	1,230	722	551	171	23.7%
Revs/Bens	571	1,236	972	264	21.4%
Other costs/savings			174	-174	
	4,041	3,442	2,726	716	20.8%

Notes

1. Other costs/savings are additional client costs & savings outside the Tranche 1 services.
2. The above excludes savings which would result from management restructure (£400k); and office accommodation savings (at least £60k).
3. The above excludes potential income generation.

Evaluation

Risks

Mitigation

DIY	DIY					<table border="1"> <tr><td>A</td><td>Insufficient data to quantify progress against targets.</td></tr> <tr><td>B</td><td>Expected savings double-counted or taken for other purposes.</td></tr> <tr><td>C</td><td>Savings eroded through scope creep or additional work.</td></tr> </table>	A	Insufficient data to quantify progress against targets.	B	Expected savings double-counted or taken for other purposes.	C	Savings eroded through scope creep or additional work.	<table border="1"> <tr><td>A</td><td>Establish clear baseline; Establish target milestones</td></tr> <tr><td>B</td><td>Ensure all in-scope budgets clearly identified and change control in place.</td></tr> <tr><td>C</td><td>Ensure clear change control procedures in place and share risk; Allow explicit scope reviews and allow for additional work to be included if merited, justifiable and costed</td></tr> </table>	A	Establish clear baseline; Establish target milestones	B	Ensure all in-scope budgets clearly identified and change control in place.	C	Ensure clear change control procedures in place and share risk; Allow explicit scope reviews and allow for additional work to be included if merited, justifiable and costed
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Evaluation

Risks

Mitigation

DIY	DIY					A Change in leadership or senior management results in loss of support for DIY approach	A Recruit to senior management positions based on commitment to transforming from within. Ensure political stakeholders sufficiently informed of benefits Review and exit clauses in place Understand ownership structures of partners.	
	6							
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	3				C			
	2				A			
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	Impact							

Public Sector Partnership	Partnership					A Change in leadership or senior management results in loss of support for principles of partnership	A Recruit to senior management positions based on commitment to partnership working Ensure political stakeholders sufficiently informed of benefits Review and exit clauses in place Understand ownership structures of partners.	
	6							
	5							
	4							
	3							
	2				C			A
1			B					
	1	2	3	4	5	C Insufficient attention is given to ensuring staff development	C Ensure organisational development strategy for partnership is agreed and adhered to. Development programmes to be utilised as appropriate and where cost effective	
	Impact							

Outsourcing	Outsourcing					A Change in leadership or senior management results in loss of support for principles of outsourcing	A Recruit to senior management positions based on understanding of commitment to outsourcing contracts. Contract terms may prohibit any early exit Ensure stakeholders sufficiently informed of benefits Review and exit clauses in place	
	6							
	5							
	4							
	3							
	2			C				A
1				B				
	1	2	3	4	5	C Insufficient attention is given to ensuring staff development	C Ensure that contractors organisational development strategy is appropriate and adhered to.	
	Impact							

Executive

17 June 2010

Sourcing Strategy/Alternative Service Delivery Proposals

Comments from the Overview and Scrutiny Committee (previously reported to the Executive of 25th March 2010)

No.	Subject	Committee comment/recommendation	CMT response
1	Knowledge and Skill levels within the Council	Concern as to whether the Council had the knowledge and skill levels available to ensure that the contracts or partnership arrangements entered into to deliver the services would be future proof in ensuring that the services were delivered to current standards.	The Council team made up of two Directors and the Organisational Change Programme Manager has wide experience of the services under review. The Director of Services to the Community has substantial experience of the use of the market to provide public services and has spent 11 years in consultancy. The team have used consultancy support from 8020 Insight to support the work to date and have also received very helpful input from a wide range of local authorities. The skills and knowledge requirements for the next phase will be revisited when the Executive has decided upon its preferred strategic option.

No.	Subject	Committee comment/recommendation	CMT response
2	Further Protection of the Council	That consideration be given to whether further expertise should be employed from the market place with experience of outsourcing or partnership failures and who could ask questions to protect the Council from falling into problems experienced elsewhere.	Subject to the Council deciding to proceed with some form of ASD it is intended to retain 8020 Insight. They have experience of both public and private sector outsourcing and are currently supporting a number of authorities with shared service ventures.
3	Evaluation costs of Business Cases – Client Team	That the costs of the Client Team, if known, be incorporated into the high-level business cases to be evaluated for proposed outsourcing or partnership arrangements.	Agreed. The project team have developed proposals for Client team roles and structures for discussion with the Executive Member Panel. The financial implications of the Client structure(s) are being built in to the evaluation model.
4	Access to Services by the Community	Concern about the possible location of outwardly facing services that affect the community more directly and the access to those services for the customer and possible increases in costs for the client side in managing the contract or partnership arrangements delivery.	<p>It is clear from site visits and the soft market testing exercise that all the major outsourcers recognise the need for some staff whose roles necessitate face to face contact to be based on site. However, this is not true for all of the services within Tranche 1 and the joint member/officer team has seen a number of examples of good quality remote delivery.</p> <p>Client costs have been built into the high level business case, as noted above. There will be a nominated contract manager from the outsourcer who will meet regularly with client officers to monitor performance and budget and plan ahead.</p>

No.	Subject	Committee comment/recommendation	CMT response
5	Protecting the delivery of Services	Protecting the delivery of services was a significant and important challenge to get right and the need for the contracts or partnership arrangements to cover as many of the predictable eventualities as possible was stressed and it was therefore emphasised as one of the key risks to be assured about before decisions were made.	Agreed. Quality of service is a key evaluation criterion, as set out in the Sourcing Strategy. The project team has gained a valuable insight into this issue from the site visits. Both 8020 and a number of local authorities have offered template specifications and contracts to help address this issue.
6	Exit Strategies	That clear exit strategies be considered by the Executive including the costs associated with them before decisions were made to commit the Council to an outsourcing or partnership arrangement.	Agreed. Contract clauses that address failure by the provider or change of strategy by the Council or Provider are absolutely essential and will be addressed. Both 8020 and a number of local authorities have offered template specifications and contracts to help address this issue.
7	Pre Scrutiny of Tranche 1 proposals	That in view of the critical timing of the proposed decisions for Tranche 1 services and as the business cases and evidence were still under preparation at this stage, that the Leader of the Council be asked to authorise the Panel to undertake pre scrutiny of the proposals in advance of the decision by the Executive on 25 March 2010 so that the Panel could offer a view and assurances on the recommended course of action for this significant piece of work.	It is understood that the Leader has agreed to this process and that a date will be arranged for this meeting.

No.	Subject	Committee comment/recommendation	CMT response
8	Community demands - evidence	That the statement in the Strategy suggesting that the community wanted everything immediately be substantiated with evidence to support the claim in the final Strategy.	<p>Paragraph 2 of the strategy suggests that :</p> <p><i>“Resident’s aspirations continue to rise and financial pressures require the Council to become increasingly agile and responsive. We need to respond to these challenges and ensure successful performance in an environment of accelerated change and rapidly diminishing finances”</i></p> <p>The concept being put forward is that people want improved services at no extra cost and that they want (given the technological advances in the last ten years) quick responses to their questions and queries.</p>
9	Timing of services included in Tranche 1	That further consideration be given to the implications of the timing of selected services to be included in Tranche 1 of the sourcing programme to take account of the knock on consequences of outsourcing internal services that would be affected by other services outsourced or partnered in subsequent Tranches e.g. payroll.	<p>It is clear from the research to date that it is quite possible to structure contracts for Tranche 1 services which allow for reductions in transaction volumes. Indeed this issue of “downward scalability” was a key point raised by the Leader of one council. He stated that the provider had been quite happy to provide this as the scale of their operation meant they could compensate for the loss of work at one contract through growth elsewhere.</p> <p>The Executive Panel anticipate that there will be a review of other services and their management structures as part of the implementation project, regardless of the strategic option chosen.</p>

No.	Subject	Committee comment/recommendation	CMT response
10	Governance arrangements for 'testing' proposals ahead of decisions	That consideration be given to the governance arrangements to support the preparation of the specific service proposals and the decision making process for these including whether the Panel could provide support to the Executive by examining the proposals ahead of the decisions. It was felt that the scrutiny role could assist the Executive in its endeavour to ensure that quality services could continue to be delivered to the community by 'testing' out the draft proposals as a 'sounding board' as a safety net on the details to seek to ensure that they were as secure as they could be made.	See answer to Q 7 above.
11	Flexibility of future Governance arrangements with partners	It was noted that should the option be chosen to work with a larger partner, for example Kent County Council, then an appropriate partnership or joint governing committee would be established. That consideration be given to ensuring that the governance arrangements would be flexible enough to accommodate new partners coming into such relationships as it grows.	<p>The issue of governance, whether with Kent County Council or other local authorities, has been considered.</p> <p>It is proposed that a Joint Committee would be established together with a business model which facilitated other local authorities to join the partnership on a full or associate status.</p>

No.	Subject	Committee comment/recommendation	CMT response
12	Flexibility of contracts	Consideration be given to how an outsourced contractor would provide the flexibility that was often required to accommodate changing demands on the delivery of the services such as those encountered in the recent bad weather that disrupted the refuse collection service.	The major outsourcers are all large firms which can draw on more resources than are available to the Council.
13	Risk Management	That the risks identified at paragraph 55 of the Panel’s report be considered by the Executive.	Agreed. A Risk Management schedule will be included within the Tranche 1 Options report to the Executive report on March 25.
a)	Changed Ethos of partners	The risk of a change of ethos, political direction or values by a partner.	
b)	Affordable Exit Strategies	The need to build a clear and affordable exit strategy.	
c)	Multiple Management Layers	Potential for multiple layers of management on the partnership options.	
d)	Performance Management	Arrangements for non performance.	
e)	Balance of Providers	Getting the right mix and balance of providers from the external market.	
f)	Access to quality Services	Ensuring that the residents continue to have access to quality services.	

No.	Subject	Committee comment/recommendation	CMT response
g)	Client side costs of managing contracts	Additional costs to support the client side of managing contracts or partnerships being operated in other geographic locations.	
h)	Loss of local knowledge	The loss of local knowledge on the geography of the borough and issues of importance to residents.	
i)	Support for Councillors	Loss of support for Councillors in their ward work.	
j)	Auditing and Inspection	Auditing and inspection arrangements for the outsourced services.	
k)	Data	Data ownership.	
l)	Scrutiny	Monitoring and scrutiny arrangements.	
m)	VAT	Whether VAT was recoverable for outsourced activities.	Note: Outsourcing will not be detrimental to the Council in VAT terms.
n)	Relocation	Support to staff to help them deal with this change, including the impact on those staff who may be faced with a relocation.	

