

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 10th November 2010

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WARD(S): All

PART I **FOR COMMENT AND CONSIDERATION**

MEDIUM TERM FINANCIAL STRATEGY - (B) FUTURE PROVISION OF TRANSACTIONAL SERVICES FOR SLOUGH BOROUGH COUNCIL

1. Purpose of Report

Government spending cuts require local authorities to reduce costs by 2015 by approximately 25%. Whilst the Council has plans for reductions of nearly £7 million for 2011/12, there will be a need to make even greater savings over the following three years as shown in the MTFS . The Council aims to do this by protecting front line services and service levels. One opportunity the Council wishes to consider is externalisation of transactional services. This report proposes a way forward to achieve this.

On a national basis the current financial climate places publicly provided services and accompanying local jobs at risk. Attracting inward investment to maintain and expand the employment opportunities for local people is a key priority for the town. Early and swift activity to attract a partner provider, in the first instance to operate a suite of SBC's transactional services is essential if we are to reduce back office costs inline with the Councils Medium Term Financial Strategy and retain local employment.

2. Recommendation(s)/Proposed Action

The Committee is requested to consider and note the following recommendations that Cabinet will consider at its meeting on 9th November 2010.

- (a) Instruct officers to commence the most appropriate procurement process to engage with suitable service providers to attract a partner to establish a regional Transactional Services Hub in Slough with the view to providing transactional services to other public sector organisations and as part of the process in awarding any such contract the following will be a prerequisite:
 - (i) Service provider must be located in Slough
 - (ii) Existing employees engaged in TUPE processes
 - (iii) Clear performance standards will be in place to ensure high quality performance
 - (iv) A robust retained client function is established to ensure effective ongoing contract Monitoring Arrangements are in place and provide regular reports to Members.

- (b) To report back to a future Cabinet meeting in line with the procurement timetable

3. Community Strategy Priorities

Transactional service arrangements link to the effective and efficient running of the Council. The aim is to reduce the transactional services costs whilst delivering on agreed quality of service in line with our medium term financial strategy. Many of the transactional functions, including benefits and Council Tax collection service, will support some of the more vulnerable members of the community, but by driving out costs will overall will enable other front line services to continue to meet the needs of the Borough, hence supporting all of the beneath:

- Celebrating Diversity, Enabling inclusion
- Adding years to Life and Life to years
- Being Safe, Feeling Safe
- A Cleaner, Greener place to live, Work and Play
- Prosperity for All

4. Other Implications

(a) Financial

The evaluation of any interests tendered and recommendations for members will be dependent on the financial contribution secured from any such arrangement. Given cost reductions already agreed in the support services areas (20%) the only way to secure further efficiencies which will be required from 2012 onwards will be via such an arrangement. It is our ability to drive maximum efficiencies in back office and support services that provide protection for our front line and customer facing services in line with members' expectations.

Early discussions have indicated that the potential cost savings achievable through establishing a contract with a private sector provider based in the town are in the region of 20% of cost (after the projected efficiencies). This could deliver a saving in the region of £1.5 to 2 million on the costs of the functions currently included within this proposal.

Members should note that a higher saving might be achieved by out-sourcing these services to a provider elsewhere in the country. That would not deliver the community and employment benefits in this proposal.

(b) Risk Management

There are significant risks as well as opportunities of entering into such an arrangement. Any risks to the council will be identified and managed through our existing risk management policies and reported on a regular basis.

<i>Recommendation</i>	<i>Risk/Threat/Opportunity</i>	<i>Mitigation(s)</i>
<i>See recommendation (a)</i>	<i>Failing to meet the timescale</i>	<i>Rigorous project management and delegation of the procurement process</i>

<i>See recommendation (a)</i>	<i>Staff disruption and concern</i>	<i>This proposal offers an opportunity to protect staff jobs locally and to reduce staff reductions throughout the council.</i> <i>An inclusive approach to the transfer will help to allay staff concerns.</i>
<i>See recommendation (a)</i>	<i>Not securing an appropriate partner</i>	<i>It is believed that there will be several potential partners interested with proven track records and expertise in these areas.</i> <i>The council has a sound offer but will need to be flexible and creative to secure a suitable agreement.</i>
<i>See recommendation (a) and (b)</i>	<i>Levels of service cannot be achieved</i>	<i>Clear specification and penalties in the contract</i>
<i>See recommendation (a)</i>	<i>Not achieving Council's MTFS</i>	<i>This proposal offers a clear opportunity to meet the Council's financial pressures whilst maintaining services</i>

(c) Human Rights Act and Other Legal Implications

The Council will obviously be engaging with a private sector supplier for the provision of services. Legal advice sought to ensure the process and arrangement entered into protect Slough's interest.

There are no Human Right Act implications.

(d) Equalities Impact Assessment

As details of the proposal become clear these will be checked again, but it is not envisaged that there will be any concerns arising since the intention is to protect existing staff wherever possible and to maintain services to our community.

(e) Workforce

With the setting up of such a mode of service provision there will be TUPE transfer issues of staff in the affected areas moving into the new arrangement. More detail of these will be provided as the proposals are progressed.

5. Supporting Information

5.1 Initial research carried out by Officers indicate that delivering council transactional services functions via a private sector entity has led to a significant reduction in costs to those Authorities and improved performance where required.

5.2 These services would include the following: Housing Benefits, Council Tax collection, NNDR (Business Rates), payroll, Payments, Creditors & Debtors, Cashiers, Accounting Technicians, Recruitment, E-HR, and Telephone Contact Centres. Other functions may be identified in the course of the next year and beyond.

5.3 The current level of service provided in certain areas of the council has improved over the last year or so, however these support services remain in the upper quartile regarding operating costs which cannot be sustained in the present and future financial climates.

5.4 Support services and non customer facing back office functions are key to our ability to deliver our agreed budget strategy. They have 2 distinct contributions to make:-

- (i) Delivery of a 20% savings by April 2011
- (ii) Delivery of further savings in 2011/12 as working practices are streamlined preparation for transfer
- (ii) A higher value longer term contribution via the establishment of a multi-functional public service delivery hub, located in the town and attracting significant inward investment and with the potential to grow by becoming a provider to local authorities and other agencies in the region.

5.5 The new CSR places even more emphasis on the need for us to deliver this proposal:

For example: The Government will reduce spending on Council Tax Benefit by 28% from 2012 -14 and seek to 'localise' it (i.e. local authorities will be responsible for determining how the benefit reduction will be made) from 2013/14. The impact of on Slough of the reduction in benefit grant will be in excess of £1m over the coming years.

5.6 A significant amount of work (process mapping, benchmarking, best practice) was completed as part of the shared services project and this can be used to assist with any such venture.

5.7 Given the above it becomes clear that we have to act quickly if we are to protect our service quality, retain and increase local employment and meet savings targets by hosting a regional centre here in the town.

5.8 We are keen to secure member commitment to a fast tracked procurement process to attract a suitable private sector investor/provider to the town.

5.9 There are two options for procuring a private sector service provider in the OJEU procedures. Indicative procurement timescales could be as follows:

Restricted Procedure		
Publication of OJEU advert		12-Jan -11

Restricted Procedure		
Deadline for requests for documents		12-Feb-11
Deadline for return of Pre-Qualification Questionnaires (PQQ)	37 Days after the above	21-Mar-11
Evaluation etc		
Invitation to Tender issued		07-Apr-11
Deadline for questions for clarification		21-Apr-11
Deadline for return of Invitation to Tender	40 days after the above	17-May-11
Open tenders		
Supplier Presentations and demonstration; site visits		18-Jun-11
Evaluation and Preferred Supplier chosen		28-Jul-11
Alcatel (standstill Period)	10 Days	07-Aug-11
Contract Award		17-Aug-11
Service Start Date		1-April-12

Competitive Dialogue		
Publication of OJEU advert		12-Jan-11
Deadline for requests for documents		12-Feb-11
Deadline for return of Pre-Qualification Questionnaires (PQQ)	37 Days after the above	21-Mar-11
Evaluation		
Invitation to Submit Detailed Solutions (ISDS) issued		10-Apr-11
Deadline for questions for clarification		24-Apr-11
Deadline for return of ISDS		10-Jun-11
Evaluation/Tenderers selected for dialogue		24-Jun-11
Dialogue meetings		04-Jul-11
Close dialogue		03-Aug-11
Invitation to Submit Final Tenders (ISFT) - final shortlist of candidates		17-Aug-11
Deadline for submission of final tenders		14-Sep-11
Evaluation and Preferred Supplier Notified		30-Sep-11
Alcatel (standstill period)	10 Days	10-Oct-11
Award of Contract		10-Oct-11
Service Start Date		1-April-12

6. Comments of Other Committees

- 6.1 None. This report has not being considered by another committee. However, it is intended to keep Members informed of progress via Cabinet and Overview & Scrutiny should permission to go ahead be granted.

7. Conclusion

- 7.1 This will provide SBC with significant opportunities to make efficiency savings and reduce our operating costs by working in partnership with a local services provider for all our transactional services and review our customer services offer.
- 7.2 This venture will protect employment for our current transactional staff and create employment opportunities for our residents over future years.
- 7.3 **If we are unable to attract a partner and savings are compromised annual pressures circa £1.5m – £2m per annum will need to be indentified from other internal sources.**

8. Appendices Attached

None.

9. Background Papers

None.