

SLOUGH BOROUGH COUNCIL

REPORT TO: Overview and Scrutiny Committee **DATE:** 7th June 2011

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PART I **FOR COMMENT AND CONSIDERATION**

FUTURE PROVISION OF TRANSACTIONAL SERVICES FOR SLOUGH BOROUGH COUNCIL - PROGRESS UPDATE REPORT

1. Purpose of Report

To update the Overview and Scrutiny Committee on the progress to date regarding the procurement and establishment of the Transactional Services Centre in Slough as agreed by Cabinet on 9th November 2010.

2. Recommendation(s)/Proposed Action

The Committee is requested to note the proposed recommendations to Cabinet:

- (a) Note the progress so far and to instruct officers to continue with the competitive dialogue process until the Preparation of the Invitation To Submit a Detailed Solution (ISDS).
- (b) Note the Lessons Learned Report from the previous shared services project to ensure we successfully deliver the above project.

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>Eight potential partners have expressed interest, 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 service credits are to be included 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 Councils financial pressures whilst maintaining services</i>

(c) Human Rights Act and Other Legal Implications

Legal Services are represented on the project team to ensure that the project is compliant with procurement, employment and all other legal requirements. Advice has been given on the appropriate procurement process and a draft contract has been prepared which protects the Council's interests. There are no other immediate legal or human rights 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 On 9th November 2010 the Cabinet agreed:

(a) That officers be instructed 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 and any new procedures or standards set by the Government will be in place to ensure high quality performance. If standards are not met they will be subject to financial credits.

(iv) A robust retained client function is established to ensure effective ongoing contract Monitoring Arrangements are in place and provide regular reports to Members.

(v) The Lead Cabinet member be involved from the outset.

(b) That a report back be brought to a future Cabinet meeting in line with the procurement timetable

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 Document Image Processing. Other functions may be identified in the course of the next year and beyond.

5.3 The procurement timetable is:

OJEU Notice Published	02 November 2010
Deadline for return of PQQ	14 March
Notification of short listed suppliers	24 March
Supplier Workshop	28 March
Issue ITPD/ISOS	01 April
Deadline for return of ITPD/ISOS	10 May
Dialogue Meetings week commencing	06 June
Site Visits (where necessary)	w/c13 June
Issue ISDS	22 June
Deadline for return of ISDS	13 July
Dialogue Meetings week commencing	25 July
Issue ISFT	1 August
Deadline for return of ISFT	22 August
Final Dialogue/Clarification meetings	05 September
Contract Award	09 September

Members should note that this an ambitious timetable

5.4 The Procurement Phase is still in progress and is currently on schedule. The OJEU Notice was published 2nd November inviting expressions of interest in creating a Transactional Service Centre in Slough Borough Council and 26 expressions / enquiries received

5.5 Eight suppliers completed Pre-Qualifying Questionnaire (PQQ) and have submitted an Outline Solution. The PQQ's were evaluated by

Area of responsibility	Member of staff
Chair	Roger Parkin
Procurement	Jo Head
IT requirement/considerations	Simon Pallet
Benefits	Charlie McKenna
Legal	Alan Brennan
Finance	Emma Foy
ICT	Simon Pallet

5.6 Following the evaluation a workshop was held on the 28th March 2011. This covered: SBC Overview, Project timetable and Q & A and opportunity to clarify council's position and respond to supplier questions. All the potential suppliers attended and the feedback from them was positive

5.7 An Invitation to submit Outline Solution / Invitation to Participate in Dialogue was issued on the 1st April – as per timetable. Over 300 questions were raised by suppliers and all these were answered in line with the timetable. The deadline for submission 10th May 2011 and all eight companies have submitted bids that are

being evaluated. Dialogue meetings are scheduled for week commencing 13th June 2011.

- 5.8 The core project team is shown in the table below. Other service specialists will be invited to join the team as and when required.

Area of responsibility	Member of staff
Chair	Philip Hamberger
Project support	Vijay McGuire
Procurement process	Jo Head
IT requirement/considerations	Simon Pallet
Financial Processing	Eugene Spellman
Legal	Alan Brennan
Finance	Emma Foy
ICT	Simon Pallet
Communications and engagement	Sue Binfield

- 5.9 In December 2008, Slough Borough Council (SBC) joined with Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) to establish a Local Government Shared Services Programme (LGSS). The three Councils subsequently signed a Partnership Agreement with the objective of creating a shared service support venture.
- 5.10 Upon reviewing the detailed business case for the venture it was decided to withdraw in March 2010 due to the financial investment and long term implications to SBC.
- 5.11 The lessons learnt during the LGSS programme have been assessed and used to inform the Transactional Services Programme. Appendix One shows these lessons and the actions taken.

6. Conclusion

The procurement phase is going well and is proceeding on schedule with all the qualified suppliers submitting an Outline Specification.

Further update reports will be provided to Members as the project develops.

7. Appendices Attached

8.1 LGSS Project Lessons Learnt Report

8. Background Papers

None.

APPENDIX 1

Lessons Learnt From LGSS Shared Services Project

Executive Summary:

In December 2008, Slough Borough Council (SBC) joined with Cambridgeshire County Council (CCC) and Northamptonshire County Council (NCC) to establish a Local Government Shared Services Programme (LGSS). The three Councils subsequently signed a Partnership Agreement with the objective of creating a shared service support service venture.

The vision for LGSS was: “The creation of a shared service from which local government can easily source best practice support services and solutions”.

The aim of LGSS was to optimise the capability of a common ERP and other supporting systems; maximise economies of scale; generate financial benefits; provide a wide range of transactional and professional services; provide a viable alternative to outsourcing (cost and quality). LGSS would be delivered through a robust governance vehicle, employing its own staff and having its management team and Board, but with its strategic direction being defined by the founding authorities.

Objectives:

The key objectives of the LGSS are to:

- **Reduce the cost of support services for the founding partners** – services will be highly effective and efficient, providing value for money and, where appropriate upper quartile performance for lowest possible quartile costs. Services will be delivered in a cost-effective manner, through economies of scale, process optimisation, service redesign and service consolidation;
- **Provide high performing support services** that are specifically designed to meet the needs of local government using industry best practice – ensuring that processes and service performance are fully aligned with the needs of their clients. The aim is for the shared service to foster a culture that is based on meeting customer expectations and where the service itself continuously improves;
- **Provide additional value** to recoup part of the investment made by the three authorities in the Oracle eBusiness Suite and associated process design, both through:
 - Achieving significant cost savings for the founding authorities; and
 - Generating a financial benefit (profit or cost savings) to the founding partners from offering support services to other public sector organisations that seek a viable alternative to traditional outsourcing.
- **Make the investment** to create a scaleable shared service centre model – leveraging the necessary skills and competencies available in the market, and using the most economic sources of capital;
- **Enable simple procurement** for local government organisations, by removing the need for new joiners to run a full EU procurement in order to join, thus creating an attractive public sector offering;
- **Be seen as leaders** within the local government sector for shared services – being recognised as one of the true local government shared service that embraces and can deliver the requirements of other local authorities

Review of Project Plan:

Overall the Outline Business Case (OBC) estimated that LGSS would enable the three councils to reduce the cost of in-scope services by approximately £3m per annum (c 9%), achieving a positive NPV by year 5 and having a 3 year pay-back period.

However achieving the savings would require a greater commitment from the partner Councils. In February 2010 it became clear that the partner Authorities were not able to agree the proposed service delivery model. SBC believed that the risks in pursuing LGSS outweighed the rewards and a decision was taken to stop our involvement with the programme as SBC were unable to commit fully given the council's present priorities and financial commitments.

Status and Outstanding Actions:

Project Closure Agreement to be sealed following a significant decision by Roger Parkin on behalf of SBC in March 2010.

A careful assessment of the other options available to SBC will be made over the next few months, so that SBC can determine a plan for the delivery of transactional and professional support services in the future.

The next step will be a review of all support services and where possible to start using the best practice processes we have developed from the LGSS programme.

Ownership needs to be determined of the LGSS intellectual property relating to SBC e.g. who will take responsibility for the shared services shared drive.

	Learning/Issues	Action
1.	For future projects all Members should be kept informed of progress on a regular basis.	Regular reports to the cabinet are scheduled as part of this programme.
2.	Ensure commitment of Chief Executive, S151 Officer and Monitoring Officer to major projects.	CMT receive monthly updates on this project and the S151 Officer is joint sponsor of the project
3.	Ensure effective contract management of external resources; agree deliverables at the start and monitor performance against these targets.	At the moment no external resources are being used
4.	Define stages and times for Gateway Reviews.	Gateway Reviews are scheduled at each key phase of the procurement and this includes reports to Cabinet asking for permission to proceed to the next stage. Regular meetings with the Audit Commission have been established to monitor project progress.
5.	Ensure that significant risks are recorded on the Risk Register	A risk register is in place and is a standing item at Programme Group Meetings. The Risk register is reviewed regularly and mitigating action taken as required
6.	Record decisions as well as actions in all Board and Project Team meetings	Notes and actions are recorded by the Project Support Officer. Appropriate actions taken by Lead Officers
7.	Segments of the organisation affected by changes from Central Services need to be consulted at an early stage about the effect on the delivery of their front line services.	Staff involved in Transactional Services have been consulted and regular staff briefings are being held. A consultation strategy has been developed with support from the Communications Team.

8.	A relevant communications plan/engagement plan developed to time communications to better fit the decision making process and to communicate with the whole council not just to staff directly affected by the change.	A communications strategy has been agreed by CMT and a three monthly communications will be agreed monthly by CMT. It will ensure that the timing of communications celebrate success with SBC employees, give consistent messages at the same time and that clear and regular messages are given to the whole retained organisation.
9.	Decision log with clear responsibility for updating	A decision log has been drafted and is reviewed by the Programme Group
10.	Plans for staffing - back filling to cope with peaks at key stages of the project.	A dedicated resource has been recruited to provide project management. Resource issues are considered at the programme group and any concerns discussed. If needed they will be escalated to CMT.
11.	Communication/engagement with Members - major projects should have greater visibility with Members of Scrutiny and Cabinet, timely update reports required	Regular briefing sessions with commissioners, regular reports scheduled for O&S and Cabinet at key stages of programme
12.	Project Management Arrangements	Project Manager in place full Prince 2 methodology implemented
13.	Clarity about what's being delivered - Clear Action Plan from meetings with designated lead officers.	Each meeting has notes and actions allocated where needed.