

## **SLOUGH BOROUGH COUNCIL**

**REPORT TO:** Overview & Scrutiny Committee **DATE:** 24<sup>th</sup> November 2008  
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**WARD(S):** All

### **PART I** **FOR CONSIDERATION & COMMENT**

#### **SHARED SERVICES FOR TRANSACTIONAL BACK OFFICE FUNCTIONS**

##### **1 Purpose of Report**

To note the recommendation to Cabinet to approve the programme business case and, as a consequence, to commence a joint procurement with two other Councils on behalf of other local authorities and select a private sector partner to enable the creation of the Local Government Shared Service joint venture. Neither partner is named in this document so it can remain in Part I of the meeting. The consideration is about the business case not the partner organisations.

##### **2 Recommendation(s)/Proposed Action**

To comment on the following recommendations to the Cabinet:-

- a) Subject to final discussions with the potential partners, that if those discussions do not raise any unmanageable obstacles, officers be empowered to enter into a Shared Services partnership arrangement with the two Councils to commence a joint procurement on behalf of other local authorities, to confirm the project business case and select a private sector partner for the Local Government Shared Service joint venture.
- b) Delegate responsibility to the Strategic Director of Resources, in consultation with the Leader of the Council, along with equivalent representatives from the other two Councils, to proceed with the procurement up to the selection of a preferred bidder. At this stage a report will be brought back to Cabinet for decision.
- c) Approve the expenditure of up to £1 million from capital programme to fund the procurement project, to be spent and repaid as set out in the report.

##### **3 Community Strategy Priorities**

Shared service arrangements link to the effective and efficient running of the transactional functions of the Council. The aim is to deliver top quartile performance and lowest quartile costs. Some of the transactional function, including benefits and customer services, 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**

##### 1. Financial

The financial implications are contained within the body of the report. However, based on prudent assumptions the investment required to deliver the shared services arrangements has a four year pay back period, and the ongoing savings are over £500k a year for the remainder of the proposed ten year contract. There are also a number of non cashable benefits and efficiencies as outlined in the business case.

##### 2. Risk Management

There are significant risks as well as opportunities of entering into this joint venture arrangement. These are contained within the body of the report.

<i>Recommendation</i>	<i>Risk/Threat/Opportunity</i>	<i>Mitigation(s)</i>
<i>From section 2 above</i>	<i>Threats or opportunities as a result of approving or otherwise the recommendations in section 2 above</i>	<i>Actions taken to address threats</i>

##### (a) Human Rights Act and Other Legal Implications

The Council will obviously be jointly tendering to enter into a Joint Venture arrangement for the provision of services. Specialist external legal advice will be brought in where necessary to ensure the process and arrangement entered into protect Slough's interests.

##### (b) 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.

##### (c) Workforce

With the setting up of a joint venture organisation there will be TUPE transfer issues of staff in the affected areas moving into the JV. More detail of these will be provided as the proposals are progressed.

#### 5 **Supporting Information**

- 5.1 Shared services is not a new practice, in fact Slough already has a number of shared service arrangement with other Berkshire authorities going back to the disaggregation of the former County. However recent government initiatives linked back to the Gershon efficiency review have been pushing local authorities to consider shared services, particularly for back office functions as a way of driving out costs.

- 5.2 Slough has been keen to be at the forefront of the shared services arrangements, if they are right for Slough, to enable it to have maximum influence over what they are like, rather than be pushed into an arrangement that may not suit our needs.
- 5.3 As Members will be aware from earlier reports, officers had been looking into options for shared services arrangements and had been closely working with another Berkshire unitary. However we have also kept other opportunities under review and it is these opportunities that this report relates to.
- 5.4 Officers have had a very short turn round to develop and produce a detailed business case for consideration at this Committee. We wish to enter into the proposed shared services arrangement under consideration, as there is a deadline of December for issue of an OJEU for a Joint Venture partner.
- 5.5 The full business case is attached at Appendix A (**Part II agenda**). The high level aim is to achieve top quartile performance for low quartile cost.
- 5.6 This is a very exciting opportunity for Slough to be at the forefront of shared services arrangements, but there are significant risks involved and it is important that Members take the time to understand what is being proposed and challenge the assumptions before considering whether to approving the shared services arrangement.
- 5.7 With such tight timescales having been involved, officers are still completing all the elements of the due diligence, with a number of visits to both of the potential Councils to conclude this before the date of the Cabinet meeting.

### **Next Steps – Assuming Cabinet Approval**

- 5.8 If Members approve the commencement of this arrangement the next stage of the programme will include all the work necessary for the procurement to set up the Local Government Shared Service with a private sector partner up to the selection of a preferred bidder. The other two Councils have been supported by 4Ps, the programme and procurement specialist body that provides support to local authorities, and following discussion with other authorities the programme team is recommending the use of the Competitive Dialogue procedure.
- 5.9 This will involve Slough releasing key staff across the organisation to input into the arrangements to ensure they we have the right governance arrangements in place. Key tasks which will need to be completed to enable this approach include:
- Further refinement of the business case and financial model (including scope definition, costs and affordability modelling, and risk and investment modelling)
  - Defining and agreeing the governance of the joint project (including budget and resource management, roles and approvals, milestone tracking, risk management, and joint and several legal advice and sign-off, exit strategies)
  - Developing the procurement strategy and evaluation criteria, specifying adviser needs and procuring external advisers, preparing for the competitive dialogue, and preparing documentation
  - Preparing the service definition, collecting data and developing specifications
  - Confirming the commercials and operating model for the joint venture (including joining routes, costs and risks, financials / commercials / payments mechanism, contract and contract management, Memorandum and Articles of Association,

shareholding agreement, local authority powers, legal structures, indemnities, policies, governance, employment issues, contract and framework, risk, and branding)

- Defining the requirements of the retained organisation, including contract management/client arrangements.
- As outlined in the EU Directive up to the selection of a preferred bidder.

5.10 Assuming Cabinet agrees to the recommendations made in this paper the timescale of the programme would see a proposal for a preferred supplier brought to Cabinet in January 2010, and the Joint Venture being set up by 1<sup>st</sup> April 2010.

## **Risk Management**

5.11 The risk register for joining the arrangement is contained with the attached business case. Assuming approval, SBC will work with the other two Councils on the Strategic and high probability risks and ensure they are addressed on a monthly basis as part of the programme board meetings. That the entire register is reviewed in a workshop of key stakeholders, including members of Internal Audit, every six months where the probability and impact of each risk is considered and new risks identified.

5.12 The strategic risks of this programme are currently identified as:

- Inability to broker a good deal because the proposal is unattractive to potential private sector partners. The soft market test was designed to mitigate this risk by engaging with potential private sector partners before committing to the procurement.
- Other Local Authorities who may be future partners or customers are not attracted to the proposition.
- The Councils lack the specific commercial expertise to develop a new organisation that can trade in the market. The business case allows for the appointment of a number of advisors to assist us in the programme, and 4Ps are supporting the programme.

5.13 Work has commenced to further develop a joint risk log for the programme and joint working arrangements for risk management as this progresses.

## **6 Conclusion**

This report outlines the opportunity Slough has to commence a joint procurement with two other Councils on behalf of other local authorities and select a private sector partner to enable the creation of the Local Government Shared Service joint venture.

## **7 Appendices Attached (if any)**

'A' - Detailed Shared Service Business Case (**Part II agenda**).

## **8 Background Papers**

None.