

# Potential Strategic Partnership for Support Services

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## ***EXECUTIVE SUMMARY***

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The Isle of Wight Council has a key objective “To be a high performing, cost effective Council” and much of the aspirations to be achieved through a strategic partnership would be aimed at fulfilling this objective.

The Council has commissioned PA Consulting to work with the Council and its partners to evaluate the potential of a strategic partnership to support the delivery of this key objective. Our approach to working with the Council and its partners in this feasibility stage combined a series of 1:1 interviews with Members of the Strategic Partnership Working group, senior officers of the Council and its Health partners coupled with specific workshops with Members and senior officers of the Council.

We agreed the following outcomes with the Council at the start

- A picture of what the operating model of the Council will be in the next 2-3 years.
- Identification of the current services that are in scope and options for further services to be included
- An assessment of the impact of the wider strategic issues, such as the integration of Health and Adult Social Services, on the future operating model of the Council.
- The identification of the benefits that the Council expects to realise through the new operating structure
- Identification of the steps that the Council needs to make to transform and an assessment of how current projects that are part of the change agenda contribute to the development of the new operating model. In particular how they will contribute during the expected 18 month timescale for the procurement of a strategic partner should the Council decide to opt for this.
- Analysis of which of the service delivery options best meets the benefits.

Working to this agenda with the Council and its partners we have achieved the following;

- Articulated the future operating model for the Council which supports the clear vision in Aim High. This is described in detail in Section 2.1
- Confirmed the scope for the potential strategic partnership and its strategic fit with the objectives of the Council. This is described in detail in Section 2.2. We have established that the scope does fit well strategically, fitting in with the Isle of Wight objectives and other initiatives (eg Highways PFI) and also fits with what the market would offer. It has not yet been fully tested to see if it delivers the outcomes and benefits the Council wishes to realise. Greater exploration of the implications of the scope will be a key element of the Business case
- Linked the Aim High objectives with the strategic partnership objectives identified during the workshops and have clarified how they contribute to achieving them (established the golden thread). From this we have established the evaluation criteria for the service delivery options.

- Carried out analysis of the in scope services in terms of staffing and have identified the implications of the extent of the scope. We were not able to carry out a full analysis of the budget implications, as the full information was not available at the time of writing this draft of the report. We would wish to complete this at a later stage
- Clarified the impact of a potential strategic partnership on partners, in particular Health and outlined the implications for the scope of the partnership.
- We have not been able to quantify quick wins as part of this phase but we have identified areas of service delivery and support functions and enablers and key elements needed to build the “blocks”. The blocks are detailed in Annexe 1 to this report. We propose to review this as part of the Business Case
- Described the service delivery options (eg in house, out source etc) that could potentially deliver the benefits for the Isle of Wight and tailored these to fit with your circumstances. We have confirmed that whilst evaluation of the options is premature at this stage, there is no strategic or key operational issue that would rule out any of the options at this stage.

### **The next steps**

On the basis of the work done in this paper, we would recommend the next steps to be taken are;

- The Council to formally agree;
  - The future operating model
  - The scope of the strategic partnership
  - The objectives and evaluation criteria

As set out in this paper, as a working basis for the business case evaluation

- To develop a Business Case by the end of March 2006 that will address the following;
  - Impact of critical mass on the scope, both in terms of the impact of outsourcing service delivery areas of the Council and the potential size of in scope services
  - Dependency on local partners for the viability of the scope
  - Level of investment needed and the implications for the in house service delivery option
  - Capacity of the partnership or in house option to deliver savings both within the in scope services and throughout the rest of the Council
  - Ability of the partnership or in house option to deliver the non financial benefits

- Impact of timescale and budget pressures
- To undertake a Council wide review of quick wins. This will identify and bring together all the potential for creating savings across the council, informing the business case around what is achievable within the Council, and what areas of change it may be appropriate to undertake yourself or engage with a partner to deliver. It will also help inform the funding position, as often the business case for investment in improved customer service is dependant on finding process savings in related services.
- Further steps to be taken to provide more information sessions for Members and officers about the service delivery options and the partnership scope and objectives. This could also include visits to other local authorities to gain a broader view of the different approaches to the similar issues. It is clear that there is both further discussion needed to gain agreement within the core groups we have been working with at this stage, as well as gaining wider understanding and acceptance of the plans.

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**Appendices**

**Appendix A: Key elements of the future operating model**Error! Bookmark not defined.

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## **1. INTRODUCTION**

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The Isle of Wight Council has recently had a significant change in political control and the new Administration has a manifesto commitment to the appointment of a strategic partner for support services providing there is a business case for such an appointment.

The Council has therefore commissioned PA Consulting to work with the Council and its partners to evaluate the potential of a Strategic Partnership to deliver improvements in the efficiency, effectiveness and economy of the operations of the Council. The main thrust of the PA approach at this stage has been to work with the Council to clearly identify the strategic fit of the Council's aspirations for strategic partnership with the key objectives of the Council.

The Council has determined to focus its resources on 5 objectives that it has agreed with its LSP partners (Island Futures). The 5th of these objectives is "To be a high performing, cost effective Council" and much of the aspirations to be achieved through a strategic partnership would be aimed at fulfilling this objective.

Other significant factors to take into account when scoping the partnership are the manifesto commitments to be a Council of low taxation and to improve service standards whilst being amongst the most frugal unitary councils in the country and the Change Management Plan "Aim High" which the Council formally agreed in November 2005 where a significant element in the plans for changing the culture of the Council concern developing a range of partnership options for the delivery of services.

In addition there are a number of ongoing and planned projects within the Council which are concerned with realigning how various elements of the Council are structured together and work together and the development of future partnerships with other LSP partners and the private sector. These will also have an impact on the scope of services to be considered for a strategic partnership and will have an impact when considering this against a "public sector comparator", that is of the Council delivering its aspirations through an in house route.

Some of the key projects are;

- Efforts to transform the Council as a more customer centred organisation. This is underpinned by various business process re-engineering activities to bring about more effective front office/back office operations and supported by the development of a robust Customer Relationship Management (CRM) capability. The Council has already set up its corporate call centre and customer services team and developed an in house CRM system as part of the GAGS initiative and is now in the process of transferring call handling from technical service teams.
- Health and Adult Social Care Integration due by April 2007. The Council and its Health partners are working jointly on the transition of the Adult care Service to the Health Service. The integration project will have a direct impact on the scope of the support services that the Council may wish to transfer to a strategic partner eg administration and HR.
- Single non-emergency number (SNEN) partnership due to be up and running by May 06. This Hampshire and Isle of Wight partnership exists to support the delivery of the SNEN as part of the national SNEN programme and its aims are essentially to provide improved citizen access to no-emergency public services

with a 24/7 contact service. This clearly links to the aims that the Council has for improving customer access to its services and the overall plans for the Isle of Wight plc.

- Regeneration agenda aiming at bringing inward investment to the island.
- Budget round for 2006/7 will require service departments to identify approximately £10 million, across all service areas will the possibility of a further £5 million per year for the subsequent 2 years.
- Highways PFI due by 2007. This will have direct impact on the scope of the potential partnership in terms of the sharing of support services and also will be an area of outsourcing which will impact on the size of the retained council
- Other potential areas considered for creating arms length delivery options are Leisure Services (either through a Trust or through involving the private sector which will share many of the same issues as for the Highways PFI
- Island PLC, which will be an integrated front door for customers for both Council services and other public sector service delivery such as health.
- The Council is also working with central government towards the development of a Public Service Board (PSB) which would be responsible for commissioning and distribution of funding of all public services across the island

## 1.1 THE PA APPROACH

We proposed a phased approach to the project with checkpoints at the end of each phase. The project begins with a 6-week feasibility study with a commitment to producing a feasibility report before the Christmas break. The key elements of the feasibility study were 1:1 interviews with Members of the Strategic Partnership working group, senior officers of the Directors Group, Heads of Service, Health Service partners (PCT and SHA) and trade unions.

We agreed the following outcomes for the feasibility report to cover with the Directors Group;

- Identification of the current services that are in scope and options for further services.
- An assessment of the impact of the wider strategic issues, such as the integration of Health and Adult Social Services, on the future operating model of the Council.
- A picture of what the operating model of the Council will be in the next 2-3 years.
- Identification of the steps that the Council needs to make to transform and an assessment of how current projects that are part of the change agenda contribute to the development of the new operating model. In particular how they will contribute during the expected 18 month timescale for the procurement of a strategic partner should the Council decide to opt for this.
- The identification of the benefits that the Council expects to realise through the new operating structure

- Analysis of which of the service delivery options best meets the benefits.

Following the initial desk top analysis and 1: 1 interviews, we ran a number of workshops with Members and senior officers using the agreed outcomes above to set the agenda and have achieved the following outcomes;

- Articulated the future operating model for the Council which supports the clear vision in Aim High.
- Confirmed the scope for the potential strategic partnership and its strategic fit with the objectives of the Council. This is described in detail in Section 2.2. We have established that the scope does fit well strategically, fitting with the Isle of Wight objectives and other initiatives (eg Highways PFI) and also fits with what the market would offer. It has not yet been tested to see if it delivers the outcomes and benefits the Council wishes to realise. Greater exploration of the implications of the scope will be a key element of the Business case
- Linked the Aim High objectives with the strategic partnership objectives identified during the workshops and have clarified how they contribute to achieving them (established the golden thread). From this we have established the evaluation criteria for the service delivery options
- Carried out analysis of the in scope services in terms of staffing and have identified the implications of the extent of the scope. We were not able to carry out a full analysis of the budget implications, as the full information was not available at the time of writing this draft of the report. We would wish to complete this at a later stage
- Clarified the impact of a potential strategic partnership on partners, in particular Health and outlined the implications for the scope of the partnership
- We have not been to quantify quick wins as part of this phase but we have identified areas of service delivery and support functions and enablers and key elements needed to build the “blocks”. We propose to review this as part of the Business Case
- Described the service delivery options (eg in house, out source etc) that could potentially deliver the benefits for the Isle of Wight, and tailored these to fit your circumstances. We have confirmed that whilst evaluation of the options is premature at this stage, there is no strategic or key operational issue that would rule out any of the options at this stage.

The rest of the report will look at each of these outcomes in detail and will identify the issues that the Council will need to consider should it decide to continue with the programme for the procurement of a strategic partner.

We would like to thank all of the Members and officers for their time and support during this phase.



## 2. VISION

This section of the report looks at how the Isle of Wight Council could be organised in, say, 5 years time, and uses this as the basis for understanding the scope for the potential strategic partnership and the benefits that the Council expects to realise from this.

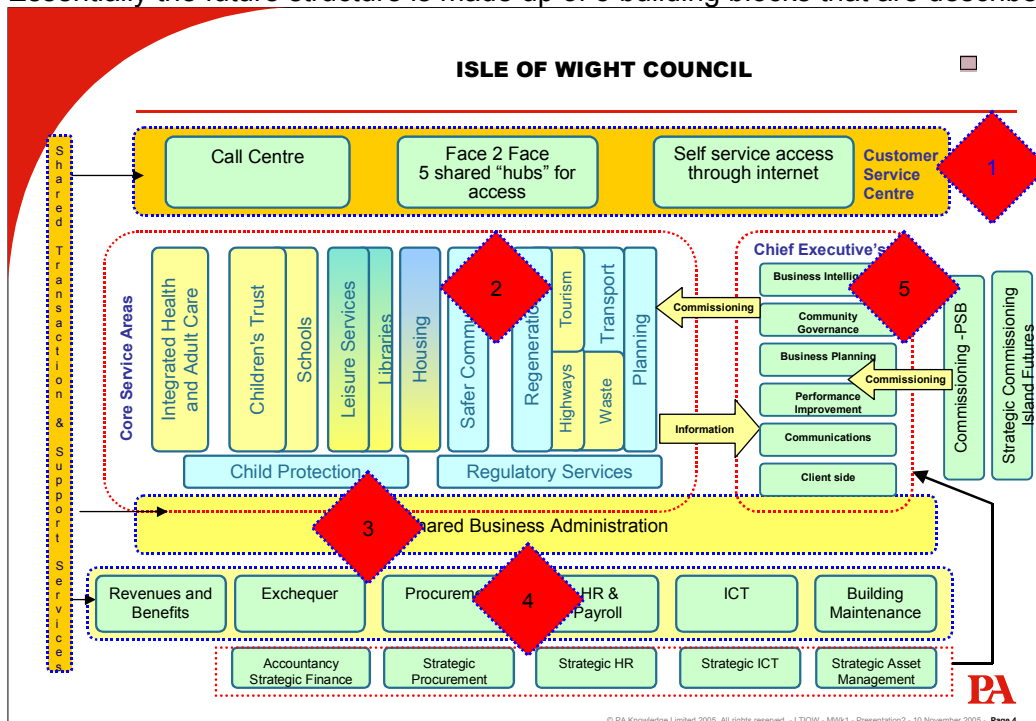
Inevitably some elements of the change will take place over the next two years eg the integration of Health and Adult Social Care and the PFI for Highways. Our view of the future shape of the Council takes these and other strategic change projects into account and allows for a phased approach to change with a mixture of tactical and longer-term partnership arrangements.

### 2.1 HOW WILL THE ISLE OF WIGHT COUNCIL BE ORGANISED IN 5 YEARS TIME?

We held a joint workshop with the Members Strategic Partnership Working Group and the Director's Management Group to discuss the vision for the future as shown in the diagram below. The initial view from the workshop is that both Members and officers are comfortable with the overall vision for the future and that it both reflects current strategic planning for the Council and the way forward.

The overall aim is to have an "Isle of Wight plc" approach, which will give consistent and high quality customer access to the Council and its partner's services. The role of the Council will shift from direct delivery of all current services to a commissioning role, initially for council services leading to a wider all island, joint partner commissioning role via a proposed Public Service Board.

Essentially the future structure is made up of 5 building blocks that are described below;



### **1. The Customer Service Centre.**

The customer service function sits at the top of the diagram, as it will be the first point of contact for all customers with all departments within the Council and potentially for partner organisations. It could be either a physical call centre, main customer reception point with geographical access points such as the 5 multi –service hubs throughout the island or a virtual service based around the call centre, home working for customer advisors and web based self service delivery. Locality delivery of services will be through a variety of arrangements eg via Council owned assets, partner owned assets.

Customer service staff will be transferred from service departments and reception areas to this team.

The main functions will be;

- It will resolve customer needs at the first point of contact, dealing with enquiries, complaints, applications and take payments and bookings for services.
- It will provide Information, tracking and advocacy for service users
- It will deal as the first point of contact with white mail and e-mail
- It will provide information on service use and council fulfilment for performance monitoring and service planning.

The Council has already set up its call centre as part of its strategic plan to transform the Council into a more customer centred organisation. The call centre has/will be taking over telephony services for a number of technical service teams such as Planning, Highways, and other regulatory services and is carrying out business process re-engineering to deliver seamless end to end service delivery. This is underpinned by the in -house development of a CRM system which will provide greater depth and granularity of customer information.

### **2. Core services function**

These are the core services which the local authority is charged with delivering for its citizens, either through statutory obligation or local mandate. This service delivery will continue to be at the heart of the Council's objectives, but they will be delivered through a number of service delivery options depending on the business case. These options are;

- a) Council delivered services eg Planning (these are coloured blue on the diagram)
- b) Arms length delivery eg a potential Leisure Trust (these are coloured yellow and blue on the diagram)
- c) Externally delivered through outsourcing or partnership eg the proposed Highways PFI (these are coloured yellow on the diagram)

### **3. Shared business administration function**

This will provide administrative support to all service departments within the Council and possibly for partner organisations. It will provide the full range of admin roles eg

- a) Business support eg collation of performance and financial data
- b) PA to directors and heads of service and other managers
- c) Data inputting
- d) Applications handling eg planning applications
- e) Clerking in specialist teams

Other areas that could be considered are Committee Administration and Members Services.

In creating this shared administration team, the customer facing functions currently carried out by administrative staff eg advice and information will be clearly identified and will be moved to Customer Service front office. The overall aim of this function is to provide an internally focussed support function to enable Members, managers and service teams to deliver services to customers.

Administrative staff within service departments will be transferred to the shared team in terms of management and budgets and this will allow pooling of resources. The transfer will require a clear identification of what constitutes admin and support posts and in cases where the post holders carry out external customer facing duties as well as inward facing support the two will have to be separated and the FTE or its budget equivalent transferred. Where required for service delivery these staff will remain “embedded” with the team that they directly support but will be managed on a day-to-day basis by the business admin service.

### **4. Shared transactional and support services**

This will provide internal support to all service departments within the Council and possibly for partner organisations. These functions will be centralised and managed as one service team. High quality services will be provided to internal customers through the use of help desks, in effect an internal call centre, and self- service where appropriate.

### **5. Chief Executives Department (corporate centre)**

The Council is moving towards a model where the “corporate centre” takes an increasing strategic planning and commissioning role. The centre will take advantage of the greater availability of business intelligence to ensure that decision making, especially around commissioning services, is clearly evidenced based. This will support the commissioning function both within the Council via the corporate centre and the wider, all island commissioning envisaged via the setting up of the Public Service Board.

The commissioning role will allow service delivery more at arms length and managing performance through SLAs and performance agreements.

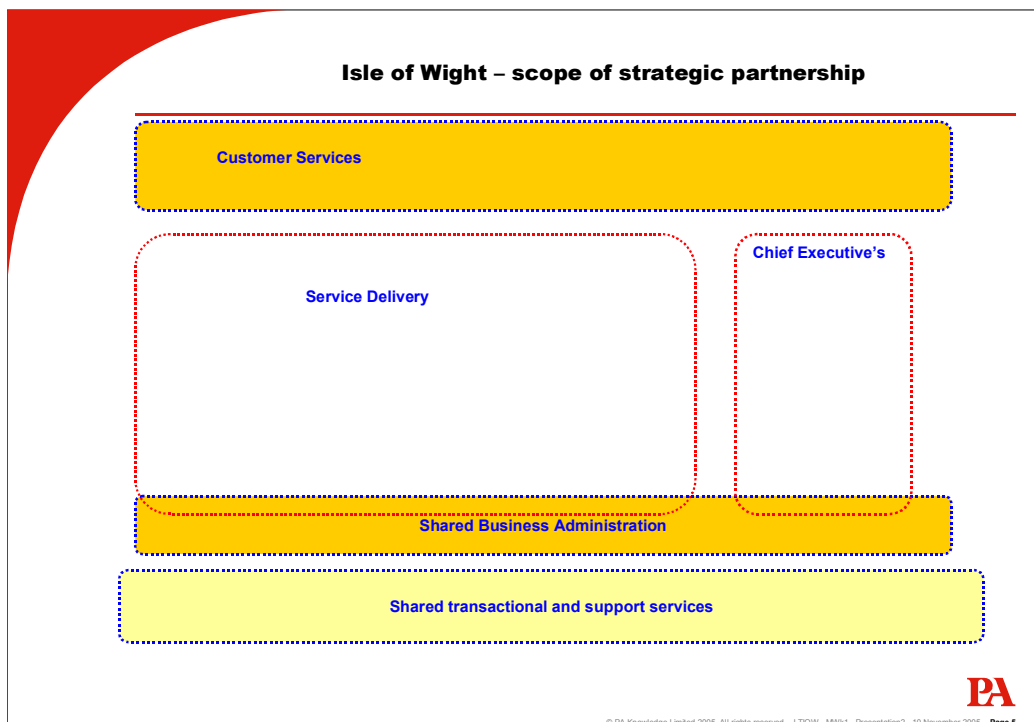
A strong client side team will deal with contract procurement and management for services delivered and managed outside of the Council.

## 6. General points

- The model for the future structure of the Council is based on clearly identified blocks which do not require the Council to have the same partner for all of the potential services – no need to have “all your eggs in one basket”. This approach supports the Council’s requirement to have short-term tactical outsourcing arrangements for services which are a political priority such as Education and Adult Care.
- A range of tactical contracts and long term partnerships will require the Council to look strategically at the contracts that you have, eg if you decide to tactically outsource services the Council must be clear about how long that resources are tied up in a contract before you can offer a package again.

## 2.2 SCOPE OF THE POTENTIAL STRATEGIC PARTNERSHIP

The strategic sourcing approach is show in the diagram below.



- The orange blocks show the services that will form the support services strategic partnership. This builds on the creation of the “In scope” department within the Council which currently includes Customer Services and the shared transactional and support services and adds to this the shared business administration function across the Council.
- The Service Delivery block shows services that will be delivered through a range of tactical options based on business case

- The Chief Executives block will always be retained by the Council

The discussion around scope at the joint Member and officer workshop reached the following conclusions

- The scope of the SSP fits strategically but has not yet been tested as to the extent to which it would enable the Council to achieve its objectives, nor has it been tested against a “public sector comparator”, essentially how far could you achieve this “in house”
- The proposed scope does fit with the strategic plans and direction of the Council and accommodates the uncertainties around future shape of the Council
- The in scope offer of services fits with the range and groupings of services the market providers offer
- It builds on the changes that the Council has already made ie the creation of the in scope department

### **2.3 IMPLICATIONS OF THE SCOPE**

There are a number of key areas around the scope which have implications for the potential partnership

- Overall aims of the partnership
- Potential FTE size of the in scope services
- Critical mass if other elements of the Council are outsourced
- Relationship with key Partners such as Health

#### **2.3.1 Implications of the aims of the partnership**

a) The scope of the partnership that we have described has the overarching aim of managing and delivering change in the services that are in scope and to work with the Council to drive change throughout the rest of the organisation. Implicit in this is that the partner will deliver the change within in scope services as well as managing those services.

The implications of this are;

- The Council would not start any major change management programme within the in scope services before the partnership begins
- Although not carrying out major change programmes, the Council will continue to work on delivering efficiencies and quick wins which could identify savings and or productivity gains which could contribute to the procurement costs of the partnership

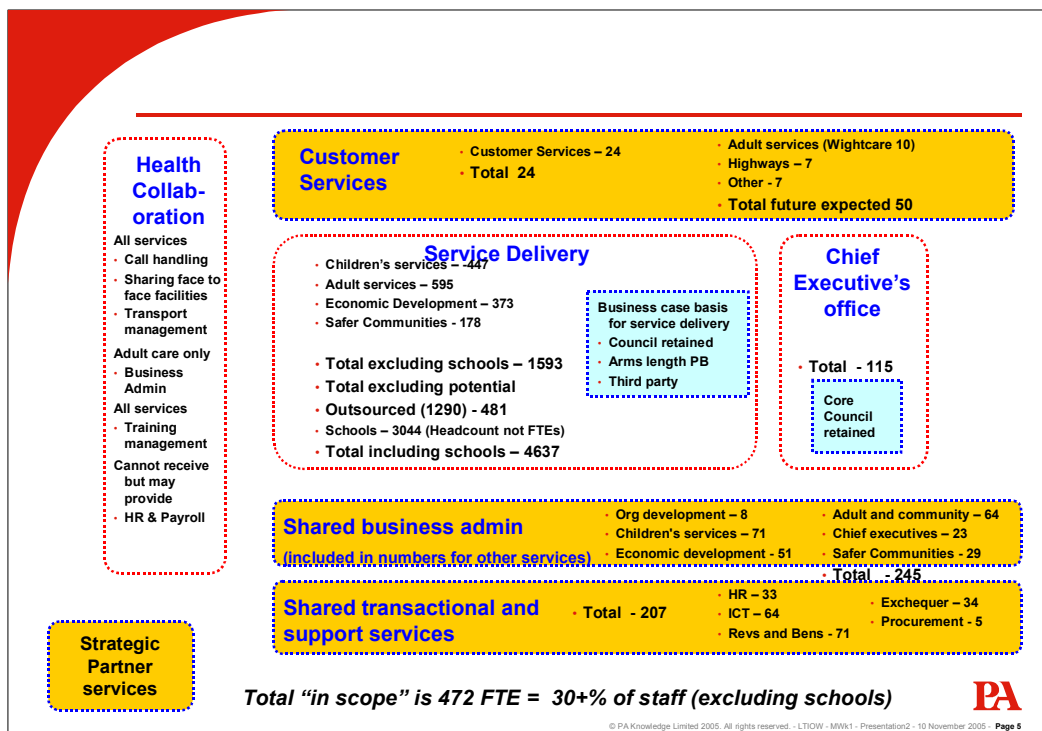
b) The Council has a key commitment to generate economic regeneration by attracting a partner willing to invest in the Isle of Wight. Discussion at the joint Member officer workshop raised issues around the nature of the Council’s role in the economic regeneration of the island and therefore that of a possible private sector partner.

In essence the debate is concerned with whether any partnership agreement would be based on a contractual requirement to provide quality employment on the island over and above the strategic partnership with the Council and to provide new building for both Council and other employment.

The Council will need to have a clear position on this issue as it will have an impact on the scope of the strategic partnership.

### 2.3.2 Implications of the size of the in scope services

The diagram shows the potential staffing figures for the both the in scope and the other blocks that make up the future operating model for the Council. We have used current figures supplied by the Council



a) Customer Services current staffing is 24 FTE. From experience of other Councils of similar size we estimate that the contact centre will be a 50 seater at full capacity and this is the figure we have used to calculate the overall size of in scope services.

b) For the shared transactional and support services we have totalled up the existing current staffing from each of the services that have been transferred to the in scope department

c) For the shared business administration we have estimated the numbers from each of the service areas by including all posts which are described as either “administration” or “support”.

d) Total figures for the potential in scope services is 472 FTE which represents over 30% of the current Council FTE excluding schools

The implications of this are;

- The business admin service is not currently part of the new in scope department
- The business admin service will account for nearly half of the FTEs that could be transferred to the Strategic Partner.
- If business admin is not in scope we would need to consider if the service is big enough to warrant a strategic partnership and indeed if such a package would be attractive to the market, or if the partner would have sufficient scope to drive out savings for the Council

### 2.3.3 Implications for critical mass

a) As we have noted the services in the service delivery block of the future operating model for the Council will be delivered through a number of service delivery options which includes arms length and outsourcing possibilities. A number of these services are already in the process of transferring out of the direct control of the Council, eg Adult Services and the Highways PFI. On the diagram above we have identified for each of the services in the service delivery block the potential number of FTEs that could be “outsourced”

b) The current staffing information indicates that over 50% of FTEs could be outsourced

The implications of this are;

- The case for the scope for the partnership has been defined on the basis that it will provide support services to all current Council services. If the outsourced and arms length arrangements do not include using the support service provided by the partner then there is a risk that the declining volume of business will not be viable
- The Council will need to come to a decision on the level of critical mass of staff and services Council would need to retain in order to pick up if any the partnership arrangements were to fail.
- In terms of potential savings required to be found from within the Council’s budgets the level of outsourcing will have a direct impact on the ability of the “retained” services to deliver to the full level required in order to meet manifesto and central government requirements
- The model for the future structure of the Council is based on clearly identified blocks, which do not require the Council to have the same partner for all of the potential services – no need to have “all your eggs in one basket”. This approach supports the Council’s requirement to have short-term tactical outsourcing arrangements for services, which are a political priority such as Education and Adult Care.
- A range of tactical contracts and long term partnerships will require the Council to look strategically at the contracts that you have, eg if you decide to tactically outsource some of the support services the Council needs to be clear about how long that resources are tied up in a contract before you can offer a package again.

### 2.3.4 Implications for the relationship with key partners, specifically Health

PA were asked to facilitate a joint meeting with the Council's Adult Care Service, the PCT and the Strategic Health Authority to discuss the impact of the Health/Adult Care Integration on the potential strategic partnership for support services and vice versa.

At that meeting we discussed the support services that are likely to be within scope for the strategic partnership and agreed which services had potential for shared provision. The main points from that meeting are;

- a) It was agreed that there was potential for sharing call handling, face-to-face service provision by linking the 5 multi-service hubs with the Well Being Centres project and the management of transport and training.
- b) The Health Service nationally has programmes for ICT and payroll and it is the view of health partners that they are not permitted to source these services from other partners or suppliers. However it may be possible for the Health services to provide these services to the Council and other partners as the strategic partner.
- c) The new integrated health and adult care body will need its own HR and administration service and whilst this could be technically provided by the Council's strategic partner, there is concern that the new body would not have a direct commercial relationship with the Council's strategic partner. If the Council were to procure a strategic partner for support services, then health partners would be open to discussions with that partner direct to provide support services.

The implications of this are;

- The case for the scope for the partnership has been defined on the basis that it will provide support services to all current Council services which includes the Adult Care service. Should the new Health/Adult Care organisation decide not to buy into the support services there is a risk that the declining volume of business will not be viable

## 2.4 HOW DOES THE COUNCIL GET THERE?

Working with the Council we have identified the key elements and enablers that will be required to "build" the blocks described above. These are listed in Appendix 1, which gives a description of the key elements required for each part of the model and details the overall enablers such as organisational change capacity and the shared benefit of technology that will underpin it.

This approach allows us to work with the Council to;

- Identify what needs to be done and to relate this to ongoing and proposed change projects across the Council
- Identify the level of investment the Council will need to make for each block
- Cost the elements and identify whether there is budgetary provision to carry it out or where a partner could be brought to provide the upfront investment and expertise



- Make decisions about which is the best service delivery model to deliver the building blocks. For example is the in house option or a partnership option the best way to deliver;
  - Reconfiguring face to face services to deliver the customer contact function
  - BPRE to ensure end to end service delivery and generate back office efficiencies
  - Managing and delivering the change management programme
- Decide which blocks the Council wishes to work on in the period before any potential partner is appointed
- Helps to define the scope of the strategic partnership in terms of its wider objectives eg the balance between delivering efficient and effective service delivery and the aspirations for regeneration of the island economy and community development, and the balance between driving out cash savings and improving productivity

**2.5 REVIEW OF QUICK WINS**

As part of the outcomes of the feasibility stage you asked PA to carry out benchmarking exercises to determine the benefits of any quick wins that were identified during the 1:1 interviews with service area managers.

No suggestions for quick wins have come to light come through during the feasibility stage other than those being considered as part of the current budget savings exercise.

Based on experience with other Councils and the views of Members and officers during interviews, there is a strong view that there are potentially large savings to be generated from a more strategic and intelligent approach to procurement throughout the Council. One of the proposed strategic projects within the Council is “Better procurement” although this has not yet been fully scoped.

We would propose to carry out a review of quick wins, including the procurement opportunities, across the Council, as part of the Business Case phase in the New Year

Based on our experience with other Councils who have undergone transformational change management either in house or via a partner we can identify indicative areas within each of the five building blocks for;

- savings and or productivity gains which could contribute to the procurement costs should the Council decide to proceed
- the development of a more business like approach throughout the Council

These potential wins have not yet been quantified and this will be a key part of the Business Case as the next phase of the project.

**Examples of potential wins within each building block**

<i>1. Customer Services Contact:</i>	<i>2. Core Services:</i>
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<ul style="list-style-type: none"> <li>➤ Easier access to services that are designed around the customer therefore not requiring them to know how the Council is organised. This will considerably enhance the reputation of the Council amongst customers and businesses</li> <li>➤ One stop resolution and right first time. This will impact positively on cost of dealing with enquiries and service requests, cut down on the need for repeat calls and will cut down on standard complaints about service delivery and the need to investigate them</li> <li>➤ Better, faster, more proactive customer services will ensure that service packages can be designed for customers and dealt with in a co-ordinated way. This will deliver better use of existing resources.</li> <li>➤ Empowered staff can make relevant decisions that do not require unnecessary referral to senior managers or technical specialists and the benefit of training will be more immediately realised. Evidence from other Councils shows that empowered, well trained staff are more likely to stay with the organisation and therefore the knowledge base is maintained</li> <li>➤ Information tracking and advocacy will ensure a better informed customer and service provider</li> <li>➤ A better customer experience when dealing with the Council will lead to enhanced reputation for the Council with customer and businesses</li> </ul>	<ul style="list-style-type: none"> <li>➤ Effective case handling between the Customer Services function and the technical services in the core will ensure streamlined end to end service delivery as well ensuring that non technical tasks, eg admin and telephony, are transferred to other areas allowing technical officers to concentrate on their professional duties</li> <li>➤ Investment in technology such as CRM and portable IT will enable smarter more efficient working and will support the move to locality and home working and also the pooling together of technical resources involved in inspection processes</li> <li>➤ Sharing support services with other local partners will deliver economies of scale</li> <li>➤ Joined up packages of services will be possible irrespective of the supplier. This will support the Isle of Wight plc vision</li> </ul>
<p><i>3. Shared business administration:</i></p> <ul style="list-style-type: none"> <li>➤ Admin and support functions will be carried out by appropriate staff freeing up technical officers to carry out their duties and ensuring a better use of professional resources</li> <li>➤ Pooling of resources will ensure service cover is always available and will not require hiring agency staff</li> <li>➤ Staff knowledge of services will be harnessed to use throughout the organisation</li> </ul>	<p><i>4. Shared transactional and support services:</i></p> <ul style="list-style-type: none"> <li>➤ Automated links to processing transactions will enable faster, more efficient handling of high volume transactions such as Revenues and Benefits and will be consistent in their application thereby cutting down on the number of repeat calls and chase up enquiries</li> <li>➤ For support services the investment in technology, in particular the development of intranet services, will deliver streamlined consistent information direct to service providers</li> <li>➤ The development of self service for staff and managers for HR services will free up HR specialists to deal with higher level strategic issues, such as supporting strategic partnership transfers.</li> </ul>
<p><i>5. Chief Executives (corporate centre):</i></p> <ul style="list-style-type: none"> <li>➤ Performance management with real time information</li> </ul>	

<ul style="list-style-type: none"> <li>➤ Policy making based on detailed information</li> <li>➤ Funding decisions based on evidence of service usage and customer need</li> </ul>	
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**2.6 KEY BENEFITS THE ISLE OF WIGHT WANTS TO REALISE**

We held a workshop with Members and officers to identify the key benefits that they want to realise from the future operation of the Council and the contribution of the potential strategic partnership. These are;

- Sustainable savings and efficiencies
- Council Tax increase below the rate of inflation
- Quality core services at less cost
- Breaking down barriers for customers
- Funding priorities to meet needs
- Economic regeneration
- Building capacity and capability
- Developing the staff resource
- Flexibility

**2.7 EVALUATION CRITERIA**

Having identified the benefits that you want to realise, we can use these to develop a range of criteria for evaluating the different service delivery options we are suggesting for the Isle of Wight (see Chapter 3).

To do this, we took each of the benefits and linked them directly to your aspirations expressed in Aim High. As we have noted before, the main objective to which the potential partnership agenda would contribute is the 5<sup>th</sup> objective directly concerned with how the Council organises itself and operates;

“To be a high performing, cost effective council”

Within Aim High you have identified the need to develop your organisational style and culture and have clearly described the “look and feel” of the new culture. We have used your description of the elements of what the “look” will be and have linked each one of the benefits you have identified to one of these elements.

## 2. *Vision*

We have then developed evaluation criteria against each one of the benefits and have raised a number of questions that should be taken into account when evaluating the service delivery options against the criteria.

We asked Members and officers to discuss the criteria and to add new ones and suggest changes to the original list.

The finalised list that was agreed at the workshop follows

Benefits	Evaluation Criteria	Questions
<p>To break down organisational barriers for customers both within the Council and across the Island Futures partners</p> <p>(Aim High - to ensure the needs of all customers are central to the decisions we take)</p>	<p><b>Effective customer services</b></p>	<p>Will the model enable the delivery of redesigned service offers both within the Council and its Island Futures partners?</p> <p>What is the measure of current performance and how will it be improved?</p>
<p>To ensure that Council Tax increases do not rise above the level of inflation</p> <p>(Aim High – low tax increase; frugal council)</p>	<p><b>Deliver efficiencies – cash and productivity</b></p>	<p>Will the model increase our ability to deliver efficiencies?</p> <p>Will we retain sufficient control over our flexibility to manage the council budget?</p>
<p>To modernise, reduce the cost of and improve corporate, transactional and support services</p> <p>(Aim High - to be an exemplar of good practice in the appropriateness and use of central systems and processes)</p>	<p><b>Improve transaction and support services</b></p> <p>(efficiencies are covered in the criteria above)</p>	<p>Will the model enable streamlined transactional and support services that will release resources to be deployed to the frontline?</p> <p>Will the model deliver resources for invest to save projects?</p>
<p>To develop the staff resource in the Council and build capacity and capability</p> <p>(Aim High New Organisational Culture, helping employees to realise potential, growing the skills base)</p>	<p><b>Build the right capacity and skills for the Council</b></p>	<p>Will the model bring extra capacity, either through new resources or transferring skills to existing?</p> <p>Will the model encourage the council to be innovative and creative in looking for performance improvement?</p>

Benefits	Evaluation Criteria	Questions
To generate economic regeneration by attracting a partner willing to invest in the Isle of Wight; The development of the social, economic and environmental well-being of the island	<b>Bring inward investment and jobs to the island</b>	Will the model contribute to the creation of new, quality jobs and contribute to the regeneration plans for the island?
Funding priorities to meet needs	<b>Provide funding into the council for investment in improvements</b>	What level of capital is needed for the programme? Can it be funded from within Council resources or Prudential?
Aim High: "Councils ability to lead and / or contribute to partnerships in increasingly important is increasingly important in enabling them to secure improvement in Localities"	<b>Enhance ability to work with partners</b>	Do the delivery options enhance the ability to collaborate? Will the model fully support partnership working? Are they dependant on collaboration?
	<b>Be flexible for the future</b>	How flexible are the different models to adapt to changes in local government, additional partners and changing needs and preferences of customers? How future proof are the models?
	<b>Ability to transfer risk</b>	Will the improvement and changes be delivered without adversely affecting the reputation of the County Council or presenting a financial risk? Can a proportion of the risk be shared\ mitigated through the model

2. Vision



Benefits	Evaluation Criteria	Questions
	<b>Ability to deliver the outcome</b>	Will the model deliver the required changes? How high is the risk of failure in each model?
	<b>Capable of meeting timescales</b>	Will the outcomes be delivered within an acceptable timeframe? What is the risk of delay?

At this stage in the project it is important to appreciate that the criteria we have developed will be used to evaluate the service delivery options. Should the Isle of Wight decide to proceed with the procurement of a strategic partner then the evaluation of the bids received will build on these criteria and will of course include specific criteria around the economic viability of any bids received.

### **2.7.1 Ranking the evaluation criteria**

In order to carry out the evaluation of the service delivery options in the Business Case, we will need to both confirm these criteria with the Council, and also gauge their relative importance, through an agreed ranking exercise.

We conducted a straw poll at the Members and officers workshop and from this developed a shortlist of 7 “most important” criteria and these are listed here for information.

- Effective customer service
- Deliver efficiencies – cash and productivity
- Build the right capacity and skills for the Council
- Provide funding into the council for investment in improvements
- Ability to deliver the outcome
- Enhance ability to collaborate with partners
- Ability to transfer risk

By implication reduced importance is given to ability to meet timescales (there is a view that there is sufficient time to implement the most appropriate option); attracting inward investment; flexibility for the future; and improving transaction and support services.

At the workshop we had considerable discussions about the relative importance and did not achieve consensus on the above weighting. This highlights the need for further debate prior to gaining consensus, and we offer the straw poll results to stimulate further debate, not to reflect any view of the Council or of the workshop participants at this stage.



**3. SERVICE DELIVERY OPTIONS FOR ISLE OF WIGHT**

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As part of our commission PA were asked to identify and evaluate the various options for implementing a Strategic Partnership. The new administration has a manifesto commitment to enter into a strategic partnership with the private sector to deliver the step change it requires, provided that there is business case is established for this.

We have been working with Members and officers to understand what the options are for partnership for the Isle of Wight, and whether there is a case for them to investigate further the possibilities of a partnership with a private sector provider.

As a result of our initial analysis of the context in which the Council is operating, there are essentially four options that could be considered;

- In-house;
- In-source;
- Out-source;
- Partnership;

This section of the report looks at the definition of each of these options and analyses whether each option could meet the key benefits and criteria for evaluation that the members and officers identified.

**3.1 IN-HOUSE**

The Council manages the business change and continue to deliver the services itself with little or no external help, though in most cases where Councils have decided to “go it alone” they have decided to buy in some limited external consultancy to lead the business change programme.

The key issues that Local Authorities face in deciding to “go it alone” are:

- Whether the Local Authority has the skills, capacity and expertise within it to bring about effective change;
- The fact that there is no one to share risk with or pass risk to.

The ability of this model to deliver your key benefits is identified below;

Key benefits met	Disadvantages
<p>The IOW retains control of service delivery and has the flexibility to respond to changing requirements</p> <p>Learning opportunities for IOW staff contributes to building the right capacity and skills for the Council</p> <p>There is no transfer of staff and therefore the Council has control over the training</p>	<p>There will be no share or transfer of risk</p> <p>All the investment has to come from internal resources</p> <p>The Council may not have the internal experience of other service delivery models which could limit its ability to be innovative and creative in designing and delivering step change service improvement</p>

Key benefits met	Disadvantages
<p>and development of its staffing resource</p> <p>No procurement time-lines to follow. The Council retains control of the transformation programme and can start as soon as it is ready.</p> <p>.</p>	<p>Any internal project governance and performance monitoring is unlikely to be as powerful as a contract management relationship, with a formal client role – although you could have an internal client role.</p> <p>Any consultants brought in for short pieces of work will be expensive and will not have a longer term interest in the programme</p>

### 3.2 IN-SOURCE

The Council would continue to deliver the services itself and would bring in outside providers eg consultants, ICT advisors, to work with the Council and its staff to deliver the change.

The emphasis of the contract with the provider would be on change and programme management, business process re-engineering and IT integration. The provider would work with the Isle of Wight to deliver the change and help to skill up internal staff to carry the change through to full implementation.

The ability of this model to deliver your key benefits is identified below;

Key benefits met	Disadvantages
<p>You are mitigating risk by buying in expertise</p> <p>The Council retains control over the delivery of the services, and retains its skills in-house.</p> <p>The work is done in partnership with the Council, and the IOW is in control of the pace of change, which could be incremental</p> <p>A major feature of this model is that there are plenty of opportunities for skills transfer to Council staff</p> <p>The provider will have experience of innovative and creative methods of service delivery either from direct experience of other contracts or via ready access to best practice both within the public and private sector.</p> <p>Through its other contracts the provider will be able to enhance the IOW ability to collaborate with other local authorities in terms of service design and delivery</p> <p>.</p>	<p>The local authority typically bears the risk for delivery as they specify what is included in the contract (s)</p> <p>There is <i>generally</i> no link between payment and delivery of change objectives – although your partner may be willing to put some payment at risk, dependent on achieving milestones.</p> <p>Sustainable benefits are only delivered if there is a focus on skills transfer</p> <p>The authority needs to be clear about what should be delivered, and by when, and may not have the skills to manage to contract effectively</p> <p>Outputs are dependent upon funding levels remaining sufficient. Local authorities are able to adjust spending between different services to meet short-term needs.</p> <p>Investment in change programmes has to come from within the council.</p> <p>There will need to be an in-house client side team.</p>

Key benefits met	Disadvantages
<p>A relatively quick procurement time scale. You could have advisors working alongside you within 3 months.</p> <p>Flexible – the contract can be varied quite easily.</p>	

**3.3 OUT-SOURCE**

The Council decides to contract out a number of discrete services, eg Revenues and Benefits, to an external service provider. The external provider will operate a fully managed service based on a specification. Staff would be transferred to the provider on a TUPE transfer basis.

The provider will operate a fully managed service for the elements inside the contract’s scope and would report on delivery to the council. Typically it will take about 12 months to get a contract in place from placing the advert in the OJEU, and a further 6 months before the service is implemented.

In most cases Councils also require external consultancy and legal support to define the scope of the contract and negotiate with tenderers.

The ability of this model to deliver your key benefits is identified below;

Key benefits met	Disadvantages
<p>The service provider bears the risk of service delivery</p> <p>Staff transferred potentially have more career opportunities, now being part of a larger organisation. They will also be trained from scratch in the new business processes.</p> <p>The provider is likely to be able to deliver a cheaper service than the council could as they will lever economies of scale</p> <p>If service standards are not achieved, the council can get “service credits” – hence incentivising the service provider to deliver.</p> <p>The provider will focus on industry best practice, continuously developing and improving due to competitive pressures and the drive to increase profit</p> <p>The partner will be delivering their core business, allowing the council to focus on the corporate core, strategy and the service delivery that they have retained.</p>	<p>The procurement process can be long and complex, with complicated contract schedules, and the risk will fall to the council if not properly defined</p> <p>Tender evaluations tend to focus on lowest cost solutions rather than outputs</p> <p>The Council needs an “intelligent customer” to ensure best value, and may not have the skills to manage it</p> <p>This is a significant change in working practices and requires good will on both sides to work. You will need to redesign processes that interface with the contracted area.</p> <p>Staff transfer needs to be planned, communicated and handled carefully.</p> <p>If the contract is not very carefully scoped and tenders evaluated for VFM, there can be considerable scope creep after award, which will be charged to the council.</p> <p>If the contract is let when a service is in-</p>

Key benefits met	Disadvantages
<ul style="list-style-type: none"> <li>.</li> <li>.</li> <li>.</li> </ul>	<p>efficient, the private sector will reap considerable rewards</p> <p>Contracts may be based on uncertain demand figures. These are often used to drive payment mechanisms meaning that costs to the council may go up.</p> <p>The contract has to be of reasonable length for it to be of interest to the market. This means that there is limited flexibility for the council to change the service during length of the contract.</p> <p>In-flexible, the contract cannot easily be changed, and changes are likely to be expensive.</p> <p>There will need to be a client-side team within the council, which will cost about or 2% of the contract value.</p> <p>If service levels are not properly defined, there may be a heavy emphasis on cost reduction by the provider, rather than maintaining service standards.</p>

**3.4 PARTNERSHIP**

The Council transfers a wider set of services eg support and transactional services to the partner. The difference between this option and out sourcing is that the partners jointly agree on service requirements and share the risks and rewards of any service improvements and or efficiencies through price performance arrangements. Sharing a vision, and bringing different skills and experiences to bear on it

Staff would be transferred to the partner either on a TUPE transfer or secondment basis.

Entering a partnering agreement is more difficult than for a traditional outsourcing arrangement, but the rewards can be much greater. Both organisations need to spend time aligning their objectives, and developing an understanding which is about the spirit rather than the letter of the contract.<sup>1</sup> Given the complexities of the procurement process, most Councils require external legal and consultancy support throughout the procurement process.

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3. Service Delivery options for isle of wight



The ability of this model to deliver your key benefits is identified below;

Key benefits met	Disadvantages
<p>An innovative risk / reward sharing role between the local authority and service provider in the discharge of the service provider's obligations under the partnering agreement.</p> <p>Partnership contracts are structured so that risk is aligned to the organisation most able to manage the risk.</p> <p>Payment mechanisms are structured to reflect the risks so that if the service provider does not manage their risks, the Council does not pay a premium</p> <p>Staff will become part of a larger organisation that focuses on their area of expertise, and are likely to offer greater career opportunities. The service provider will train all staff in the relevant business processes from scratch.</p> <p>The partnership approach is designed to allow the contract to evolve over time, be flexible, and deliver on-going efficiencies.</p> <p>The service provider is incentivised to update systems and processes within the existing contract</p> <p>Less confrontation between service provider and buyer. More problem solving and cooperative working.</p> <p>A longer term view than traditional outsourcing, avoiding short-termism</p> <p>Contract is aligned to outputs and outcomes</p>	<p>The risk and reward reflected in the contract needs to also be reflected in the freedoms and controls. Traditional contract management arrangements cannot apply.</p> <p>Partnering requires obligations to be defined on both sides and to be delivered on both sides.</p> <p>The relationships are key.</p> <p>The contracts are necessarily complicated to ensure that the risk/ reward, freedoms and controls are understood.</p> <p>Timescales to reach agreement can be lengthy and negotiations arduous</p> <p>Some consider this as unsuitable for small organisations on their own, because of the complexity of the procurement process</p> <p>The length of the contract – 10 to 15 years - can be seen as potentially preventing the Council from being agile and responding to new requirements.</p> <p>There will need to be a client side team which is likely to equate to staff costs of around 2.5% of contract value. This is higher than for a traditional outsourcing arrangement because of the emphasis on maintaining a partnership approach and continuously aligning goals</p>

### 3.5 KEY QUESTIONS

We have summarised the cost implications, risk and time-line questions in the table below for easy comparison.

Option	Relative cost	Risk	Time line
<b>In-house</b>	Opportunity cost of staff time – the cheapest option. You are unlikely to be able to deliver the full change programme on your own, and you will incur some consultancy costs	The Council carries the risk	You can start whenever you choose
<b>In-source</b>	Expensive resource, but likely to be cheaper on a unit cost basis than getting in consultants on an ad-hoc basis	Marginal risk transfer (eg delivery of programme milestones). Risk is mitigated because the Council is buying in expertise.	Procurement can be achieved in around 3 months. Delivery of the programme will depend on the resource that can be committed.
<b>Out-source</b>	Procurement cost: Around 1-2% of contract value  On-going service cost can be expected to be 10% less than in-house.	Service delivery risk is carried by the service provider	Outsourcing a service will take at least 12 months before contract signature from the advert in OJEU. You will need to complete a business case before this (allow 3 months) Once the contract is awarded, it will take a further 6 months before the service is up and running.
<b>Partnership</b>	Procurement cost: Around 1-2% of contract value  On-going service cost would be cheaper than in-house, but not as cheap as outsource	Risk is shared, and apportioned to the organisation best able to manage it.	Procurement of a partnership will take at least 18 months, and then a further 6 before the service is operating.  Allow 3 months preparation time for your business case before the OJEU advert.

### 3.6 EXAMPLES OF SERVICE DELIVERY OPTIONS IN COUNCILS

#### **Liverpool & BT – strategic partnership**

Liverpool City Council recognised that they were going to be unable to deliver the step change in performance that was needed to deliver to modern expectations of local government.

They decided to set up a Joint Venture Company (JVC) with British Telecom known as Liverpool Direct Ltd. The agreement is valued at about £300m over 11 years, and the JVC, via BT will invest £60m in the city, with £30m investment in the first two years. The scope of the agreement covers

- Human Resources and Payroll
- The management of all information and communications technology across the council
- Revenues and Benefits
- A new customer-facing call centre to make the council more accessible to the electorate

#### **Key Benefits of the partnership are:**

- 70% of the Council's performance indicators have moved to the upper quartile
- The new call centre has brought in £1m in overdue rent
- Human resources intranet handles 2,500 hits a day and facilitated staff reduction from 206 to 120
- Electronic telephone directory saves £60,000 a year

Liverpool City Council owns 19.9% of the shares, and therefore is not in control of the company. Staff are seconded to the JVC, which means that there was no transfer of staff, and the City Council retains and builds expertise as staff move between the two organisations.

The procurement process took 19 months from OJEC notice to hand-over, with service transition being the last three months of the process, having completed detailed negotiations on contract schedules.

*Source: 4Ps case study and BT website*

#### **Suffolk County Council & BT – strategic partnership**

Suffolk County Council and Mid Suffolk District Council have joined together in the first public-private partnership of its kind. This is the first time that such a partnership has involved both a county and a district council.

Telecom known as Suffolk Direct. The venture will create a single customer service centre to manage all public access points, provision of a single point of access for social care services and the creation of a transactional web site.

Funding from the Council side originates from existing Council budgets while BT is investing £50m in funding and resources.

Benefits realised

One central telephone number for all enquiries

IT, HR, finance and benefits systems have been pooled to enable 1 single gateway for access

The efficiency saving has enabled the deployment of resources to the service front whilst strengthening the relationship between the two councils

*Source: BT website*

**Westminster City Council & Vertex – strategic partnership**

Westminster’s “Customer First” initiative was developed in response to low ratings in the “Annual City (satisfaction) Surveys” which demonstrated reservations on the part of customers. In the 2001–2 survey, only 38% of respondents felt that their queries were dealt with appropriately and 34% that they were dealt with quickly.

The Council recognised the need for a radical approach, and had decided to implement a call centre as a step towards making services available on line (part of the move towards e-government).

Westminster realised that making customer relationship management work well would require a reorganisation of the whole council, so that processes and technologies were joined up. They also recognised that the work and investment required was very substantial. They decided to enter into a partnership with a private sector provider, who would be responsible for the customer call centre and for processing back-office transactions.

**The key benefits have been:**

- 94% of calls are answered within 20 seconds;
- An increasing number of multiple enquiries are answered in a single call;
- More services available outside office hours;
- Professional services are freed from routine enquiries;
- Customer satisfaction is increasing;
- The financial benefits are estimated at over £80m over 15 years.

The deal took approximately 24 months from OJEU notice to contract. But it should be noted that this was the first example of its kind, and our experience suggests that this can be accelerated (see Southwark for a more recent example).

*Source: PA case study*

**Thurrock Council & Vertex – strategic partnership**

The Council had an ambitious plan for transformation of the Council services to be customer focussed and recognised that it did not have either the funding available to deliver the ICT infrastructure nor the capacity do deliver the transformational change management programme. A key objective was to significantly enhance the experience of the customer when dealing with the Council

The Council took the decision to procure a private sector partner to run a range of support



and transactional services for the Council and to work in partnership to deliver the transition and transformation of Council services. The services in scope were;

- Administration
- Customer Services
- ICT
- Procurement
- Facilities Management
- Property Services
- HR and Payroll
- Rev and Bens
- Finance

**The key benefits have been:**

- 98% of calls are answered within 20 seconds;
- Abandoned call rate down from over 10% to less than 0.5%
- An increasing number of multiple enquiries are answered in a single call;
- Professional services are freed from routine enquiries;
- Pooling of admin resources has led to decline in use of agency staff to cover absences

The deal took approximately 19 months from OJEU notice to contract. .

Source: Vertex website and Thurrock Council

***Kent County Council – in sourcing***

In sourcing model, but with limited support from contactors and independent local consultants plus some private sector partner involvement for Syntegra and Microsoft on discrete technical support.

**Funding**

- ISB funds of £3,000,000 with matched funding from partners of £3,101,000. The programme will achieve significant savings in public expenditure - in particular savings of some £3,600,00 over the project's first 5 years arising from efficiency gains
- £700,000 funding from IEG money (£50k from each of the partners)
- Local Government Online (LGOL) funds of £650,000 have been allocated to develop the Kent Connects Partnership and other elements of joint working

**Benefits realised**

- The Kent Connects county-wide VPN has been installed linking all local networks with 100% of network upgrades having been completed. Cost savings of rationalising public service network connections are in the region of £20,000 per authority per year
- A portfolio of security products available for partners' use to support ISO17799 compliance, and expert consultancy support. The cost of security to the partners is £3,000 each per year. A recent market testing exercise revealed that to buy the service commercially would cost each partner £40,000 per year. This is a saving of £37,000 per partner through sharing expertise
- The estimated cost for each partner to provide a gazetteer is £5,000, but the cost to Kent Connects to provide the service on behalf of all the partners is £7,500 – a saving of over £4,500 per partner.
- Kent are maximising our investment in the LLPG database, by providing 'Where's my nearest?' centrally, using its data aggregation
- Joint working on aspects of disaster recovery and website meta tagging. Manual Meta tagging costs are believed to range from £7,000 – £10,000 for set-up, training and on-going maintenance. Annual maintenance for the Kent Connects solution is £500 for each partner. Kent Connects negotiated a significant 40% saving to partners on the cost of a meta tagging tool
- Kent Energy Centre has saved £20,000 by providing some web-based advice to residents. 450 vulnerable client referrals from advice professionals, as a result of the website and paper-based forms.
- If only one of these clients had been admitted to hospital as a result of cold in the home, it would have cost the local primary care trust at least £25,000. Kent residents have saved in excess of £130,000 per year as a result of advice on home energy improvement, given via the website
- Since January 2003, CUBIT has removed in excess of 8,250 abandoned, untaxed and nuisance vehicles from Kent's streets, of which 65% have been destroyed. By dealing with these vehicles, CUBIT has saved local authorities £507,000. For 2003, the DVLA estimated that 12,330 vehicles were licensed in Kent as a result of CUBIT activities, generating £1.8m in revenue for HM Treasury. Kent Fire and Rescue Service report a 15% drop in vehicle fires, directly attributable to CUBIT

Source: PA case study

**Newcastle City Council – in sourcing model based on partnership with Fujitsu**

Newcastle conducted a option appraisal in 1999 to outsource IT and related services to BT Syntegra but members deemed the financial case as unsatisfactory given the level of uncertainty around the potential scope and risk of the mainframe replacement (unknown quantity, scope creep, customisation costs)

An in-house bid proposed the existing transformation programme as an alternative covering the same scope of services as BT Syntegra. Acknowledging that the Council will not have the required capacity and capability to deliver a transformation programme of this size a transformation partner was appointed in December 2003 following a an S-cat

tendering exercise

The **transformation programme** covers City Service, which is made up of five divisions with over 650 staff and serves a vast mix of customers. Their internal customers include the City Council's 15,000 staff and elected members and external customers include residents, businesses and visitors of Newcastle

**Scope**

- Customer Services
- Exchequer Services
- IT Newcastle
- Revenues and Benefits
  
- Business Development & Transformation

11,5 year timescale for entire transformation programme

**Funding**

£20m total = £13m mainframe and desktop replacement programme, £7m transformation partner (Fujitsu – Prime Contactor Model with Guaranteed Maximum Price contract) including hardware, software, BPR, programme and project management

£20m prudential borrowing via CRP plan (Corporate Resource Pool) some limited funding from a DWP grant

**Benefits realised**

The Council has a Guaranteed Maximum Price (GMP) contract with Fujitsu, which transfers significant risk away from the Council. The GMP contract secured with Fujitsu was within affordability and represented better value for the Council than the costs previously identified by BT

Fujitsu have utilised their market knowledge and experience to identify leading products for evaluation and market leverage to drive out competitive Best and Final Offers (BAFOs) with suppliers

The method of procurement within the Programme has delivered best value in relation to procuring third party software and services. On two major procurements, Fujitsu secured prices, which were c.20% below the Guaranteed Maximum Price and therefore generate cashable savings

Current benefit realisation runs at £4m per year derived from £3.5m staff cost and £1\2m non-staff cost contribution

City Service achieves better service at lower cost. and is on target to increase efficiency by 25%, saving about £25 million in the ten year period, while also climbing into the top 25% of authorities for performance

Source: PA Case Study

### **3.7 EVALUATION OF THE SERVICE DELIVERY OPTIONS**

As noted above, we will work with the Council to agree and rank the evaluation criteria and carry out the evaluation of the service delivery options as part of the Business Case.

Although we did not evaluate the options at the workshop, the following points were made

#### **3.7.1 Key points from discussion of the service delivery options**

- A strategic partnership for support services is a manifesto commitment (provided the business case stacks up) but this does not preclude other partnerships and service delivery options for other parts of the Council
- Change management is key to delivering the transformation programme in the Council and there is some feeling that the Council does not have the skill and capacity to fully deliver this scope on an in-house basis
- There is some concern around the out-sourcing option in terms of critical mass both in terms of what could potentially be left as part of the retained core of services and whether the in scope service package would be large enough for the private sector to bid and;
- Would an out-sourcing option be as easy to procure and manage for the Isle of Wight as for larger local authorities with more resources available to them

## **4. CONCLUSIONS**

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### **4.1 HOW THE COUNCIL WILL BE ORGANISED IN 5 YEARS TIME**

We have a clearly articulated future operating model for the Council based on the clear visions expressed in Aim High. There some issues that have not yet been clarified;

- Accommodation – where will the new operating model run from
- Development of the face to Face facilities
- Role and capacity of the services that will be retained

Action – the model should be discussed more widely within the Council and its partners and formally agreed

### **4.2 SCOPE OF THE STRATEGIC PARTNERSHIP**

We have a clear scope for the strategic partnership which reflects the structural changes the Council has made, makes sense both in terms of the market and the Isle of Wight. We have identified that there are a number of implications of the scope in terms of

- Overall aims of the partnership
- Potential FTE size of the in scope services
- Critical mass if other elements of the Council are outsourced
- Relationship with key Partners such as Health

Action – the Business Case will explore the impact of the implications

### **4.3 RELATIONSHIP WITH PARTNERS**

We have discussed with the PCT and SHA the support services that are likely to be within scope for the strategic partnership and agreed which services had potential for shared provision. The services we identified were;

- Call handling
- Potential admin support for the Adult care service
- Face to face provision via hubs
- Potential for Health to be the strategic partner to the Council for HR, Payroll and ICT

Action – Health and other stakeholder partners to be kept informed and joint discussions to continue

#### 4.4 OBJECTIVES

We have identified the high-level benefits which the Council expects the strategic partnership to deliver and linked them with the over arching aspirations expressed in Aim High and clarified how they contribute to achieving this. However we do not yet have an agreed and ranked list of evaluation criteria.

Action – The Council to formally agree and rank the criteria

#### 4.5 SERVICE DELIVERY OPTIONS

We have clarified the service delivery options that could potentially deliver the benefits for the Isle of Wight. We have identified a learning and information requirement for both Members and officers around the different models which will contribute to the evaluation process. We have confirmed that whilst evaluation of the options is premature at this stage, none of the options have been ruled out at this stage.

We have not identified any constraints eg timescale for delivery that would mitigate against any of the 4 options although there is a view that issues of capacity and funding might rule out the in –house option. Also at this stage the “in house” is not clear as we do not yet have a definitive list of projects, programmes, and funding sources. We have identified the key elements and enablers for building the new operating model to help in this process.

Action – the Council to undertake further visits to other Councils and explore in greater detail the different options we have suggested

Action - the Business Case will evaluate the service delivery options

#### 4.6 NEXT STEPS

The next phase is the production of the Business Case which will test the four service delivery options in more detail and provide the financial basis for the potential strategic partnership. The Business Case will identify for the Council potential savings and service improvements from the proposed in scope services and which service delivery model will best deliver the benefits that the Council has expressed.

- The Business Case will address the following;
  - Impact of critical mass on the scope, both in terms of the impact of outsourcing service delivery areas of the Council and the potential size of in scope services
  - Dependency on partners for the viability of the scope
  - Level of investment needed and the implications for the in house service delivery option
  - Capacity of the partnership to deliver savings both within the in scope services and throughout the rest of the Council

- Ability of the partnership to deliver the non financial benefits
- Impact of timescale and budget pressures

In order for the Business Case to be produced, we will work with the Council to clearly articulate;

- the wider strategic expectations of the potential partnership ie
  - will the Council require the partner to create a number quality jobs on the island in excess of the main Council contract
  - will the Council require the partner to provide a new building to accommodate both the core services of the Council and other business opportunities that the partner could bring to the island (business centre)
  - the relationship between the Council's potential strategic partnership and the emerging Public Service Board for the island
- the main drivers for the inclusion of services within the scope of a potential strategic partnership the potential targets and to and benchmark the services in terms of cost and quality. Once this is clear, the Business case will demonstrate how the requirements can be realised and which of the service delivery options is the most suitable to meet them. eg
  - In Customer Contact you have identified that that a key driver is to improve the access to services for customers. You have identified customer satisfaction as a key target for measuring performance and your current performance is pegged around 65%. As part of the Business case we will need to understand where the Council priorities lie for this service, eg is the driver to bring down the cost of each contact and transaction with the Council or to have customer satisfaction ratings around the national average.
- Council wide review of quick wins
- Further information sessions for Members and officers about the service delivery options to be arranged, including visits to other local authorities

#### 4.6.1 Timescale

If the Council agrees to proceed to the Business Case phase of the project, this will begin in early January 2006 and the document will b produced for discussion with the Council by the end of March 2006.

**APPENDIX A: KEY ELEMENTS OF THE FUTURE OPERATING MODEL**

Operating Model	Description	Key Elements
Customer Contact	<p>The contact function will be the first point of contact for all customers with all departments within the Council and potentially for partner organisations.</p> <p>The function includes the contact centre, customer service centre and geographical face to face provision (ie the 5 hubs) and the development of self service.</p> <p>The contact function will resolve customer needs at the first point of contact, dealing with enquiries, complaints, applications and take payments and bookings for services.</p> <p>It will provide Information, tracking and advocacy for service users</p> <p>It will deal as the first point of contact with white mail and e-mail</p> <p>It will provide information on service use and council fulfilment for performance monitoring and service planning.</p> <p>Customer contact staff will be transferred from service departments and reception areas to this team</p>	<p>Creating the customer contact team – Customer Direct; expanding to cover all services, increasing the amount of service transaction it can deal with</p> <p>Reconfiguring face to face services</p> <p>Supporting it with modern IT - Telephony (including resource planning), CRM, EDRMS, systems integration, business intelligence, development of web and self service, home working capability</p> <p>Accommodation for the contact centre, development of the 5 multi service hubs and other public access points</p> <p>Current projects</p> <ul style="list-style-type: none"> <li>- Customer Direct</li> <li>- CRM</li> <li>- Home working proposals</li> </ul>
Service delivery	<p>Core local authority services will be delivered through a number of service delivery options depending on the business case;;</p> <p>d) Council delivered eg Planning</p> <p>e) Arms length delivery eg the Leisure Trust</p>	<p>Access to technology - CRM, integration between CRM and department systems, EDRMS, workflow systems, mobile working technology</p> <p>Service specific technology such as GIS</p> <p>Process integration and streamlining “end to end” processes</p> <p>Current projects</p> <ul style="list-style-type: none"> <li>- Highways PFI</li> <li>- Adult care efficiency / improvement review</li> <li>- Leisure VFM review</li> <li>- Tourism partnership options</li> </ul>



Operating Model	Description	Key Elements
	<p>f) Externally delivered through outsourcing or partnership eg highways</p> <p>Service improvements will be driven by service specific programme and through making use of better council wide technology and customer and support functions</p>	<p>- Integrated Health and Adult care programme</p>
<p>Shared business administration</p>	<p>This will provide administrative support to all service departments within the Council. It will provide the full range of admin roles eg</p> <ul style="list-style-type: none"> <li>f) Business support</li> <li>g) PAs</li> <li>h) Data inputting</li> <li>i) Applications handling</li> <li>j) Clerking in specialist teams</li> </ul> <p>Customer facing functions eg advice and information will be moved to the front office.</p> <p>Administrative staff within service departments will be transferred to the shared team in terms of management and budgets and this will allow pooling of resources. Where required for service delivery these staff will remain “embedded” with the team that they directly support but will be managed on a day to day basis by the business admin service</p>	<p>Creating the central team from current business admin teams within services and support functions</p> <p>Supporting with access to technology</p> <p>Review provision of admin functions such as printing</p>

Operating Model	Description	Key Elements
Shared transactional and support services	<p>All Council support functions will be centralised and managed as one unit. Processes will be simplified and standardised where possible. High quality services will be provided to internal customers through the use of help desks and self service where appropriate.</p> <p>These services can also be provided to partner organisations</p>	<p>EDRMS, internal telephony/contact centre, intranet/web based self service Accommodation to bring the support teams together</p> <p>Current projects</p> <ul style="list-style-type: none"> <li>- Bringing together this department into "organisational change" dept</li> <li>- Procurement: e-procurement and procurement cards</li> </ul>
Chief Executives Department	<p>The Council is moving towards a model where the "corporate centre" takes an increasing strategic; planning and commissioning role; allowing service delivery more at arms length and managing performance through SLAs and performance agreements.</p> <p>A strong client side team will deal with contract procurement and management for services delivered and managed outside of the Council</p>	<p>Developing Commissioning capacity – both as council and with partners Developing "client side" partner management capacity Performance management capacity – organisational and individual Business intelligence – information on services, customers</p> <p>Current projects</p> <ul style="list-style-type: none"> <li>- Separating the "strategic" part of support services from the transactional element</li> </ul>
Enablers	<p>The achievement of the future operating model will require a number of common enablers. Central to this will be creating the new organisational culture and the capacity to continuously improve and deliver ongoing change</p>	<p>Any new physical environment Shared benefit of technology – invest once for multiple benefit Organisational change capacity BPR and improvement capacity Programme management and delivery ability</p>

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