

SCRUTINY CO-ORDINATING COMMITTEE AGENDA



14th June 2011

at 5.45 pm

in Council Chamber, Civic Centre, Hartlepool

MEMBERS: SCRUTINY CO-ORDINATING COMMITTEE:

Councillors C Akers-Belcher, S Akers-Belcher, Cook, Fenwick, Griffin, James, Loynes, Preece, Richardson, Rogan, Shaw, Shields, Simmons, Thomas, Wells and Wilcox.

Resident Representatives:

Evelyn Leck and two vacancies

1. **APOLOGIES FOR ABSENCE**

2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

3. **CALL-IN REQUESTS**

3.1 Call-In of Decision: Strategy for bridging the budget deficit 2012/13 – ICT, Revenues and Benefit Services – *Scrutiny Manager*

3. **ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

SCRUTINY CO-ORDINATING COMMITTEE

14 June 2011



Report of: Scrutiny Manager

Subject: Call-In of Decision: Strategy for Bridging the Budget Deficit 2012/13 – ICT, Revenues and Benefits Services – Briefing Note

1. PURPOSE OF THE REPORT

- 1.1 To provide Members of the Scrutiny Co-ordinating Committee with the relevant information relating to the Call-In of the decision taken by Cabinet on the 23 May 2011 in relation to the Strategy for Bridging the Budget Deficit 2012/13 – ICT, Revenues and Benefits Services, as per the Authority's Call-In procedure.
- 1.2 To enable the Scrutiny Co-ordinating Committee to:-
 - i) Make a decision in relation to the acceptance or rejection of the Call-in; and
 - ii) Consider, subject to the acceptance of the Call-in, the formulation of a response / comments for consideration by Cabinet (via the Proper Officer).

2. BACKGROUND INFORMATION

- 2.1 At the decision making meeting of Cabinet held on 23 May 2011, a report was considered in relation to the Strategy for Bridging the Budget Deficit 2012/13 – ICT, Revenues and Benefits Services. The report is attached at **Appendix A**.
- 2.2 The decision subsequently taken by Cabinet was as follows and a copy of the relevant minute is attached in full at **Appendix B**.

‘That a procurement exercise be commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.’
- 2.2 Following the decision of Cabinet, a Call-In Notice was issued by 3 Members of the Scrutiny Co-ordinating Committee on the 2 June 2011. Subject to approval of the notice by the Monitoring Office, the Call-in was received and accepted by the Scrutiny Co-ordinating Committee on the 3 June 2011. Consideration of the notice by the Monitoring Officer, however, resulted in

the rejection of the notice on the grounds that ‘it did not provide the relevant evidence, or reasons, being relied upon to cite that the decision had not been taken in accordance with the principles of decision making’.

- 2.3 In light of the rejection of the notice, an expanded Call-In notice in relation to the decision by Cabinet was issued, again by 3 Members of the Scrutiny Co-ordinating Committee, on the 6 June 2011. This notice was accepted by the Monitoring Officer on the 6 June 2011. A copy of the resubmitted Call-In notice is attached at **Appendix C**.

3. CALL-IN PROCESS

- 3.1 The Scrutiny Co-ordinating Committee has the power under Section 21 of the Local Government Act 2000 and Rule 14 of the Scrutiny Procedure Rules to call-in decisions made by the Executive but not yet implemented.

- 3.2 The replacement Call-In notification clearly outlined the reasons why the Members were of the opinion that the decision had been taken in contravention of the principles of decision making, as outlined in Article 13 of the Constitution. The reasons identified in the Call-In Notice were:-

vi) A presumption in favour of openness; At the time of the referral to SCC it was made clear that we were not to look at the possible IT Solutions nor were we informed that the major outcome required by Cabinet was a budgetary saving of £30,000.

vii) Clarity of aims and desired outcomes; Cabinet failed to inform SCC of the desired budgetary savings or the intention to seek an IT based solution.

xii) Reasonableness; It is not reasonable to place a large number of front facing staff at risk, when there are clear alternatives, especially when the DWP may remove this work from Local Authorities in the next 2 years.

4. NEXT STEPS

- 4.1 Whilst the original Call-In notice was accepted by the Scrutiny Co-ordinating Committee on the 3 June 2011, as a result of the rejection of the original notice by the Monitoring Officer the Committee must in the first instance decide whether it agrees with the Members submitting the replacement Call-In Notice that the decision should be Called-In for the reasons set out in the Notice. These reasons should then form the basis for the Committee’s consideration of the decision.

- 4.2 Subject to the acceptance of the Call-In by the Scrutiny Co-ordinating Committee, invitations have been extended to all Cabinet Members, and relevant officers, to attend today’s meeting and assist Members in their consideration of the Call-in.

- 4.3 Having fully discussed the reasons outlined within the Call-In Notice there are two ways forward:-
- (i) Should the Committee be satisfied that the principles of decision making have not been contravened, the decision(s) will be effective immediately; or
 - (ii) Should the Committee remain concerned about the decision(s), comments should be agreed for consideration by Cabinet at the earliest opportunity. The next possible Cabinet meeting being held on the 20 June 2011. Following receipt of these comments Cabinet would be required to reconsider the decision in light of them and either reaffirm or amend the decision. A response from the Cabinet must then be referred to the Committee, setting out the reasons for reaffirming or modifying the decision, in relation to the issues raised by the Committee.

5. RECOMMENDATIONS

- 5.1 That Members of the Scrutiny Co-ordinating Committee decide if they wish to accept or reject the replacement Call-In Notice;
- 5.2 That subject to acceptance of the Call-in:
- i) Consideration be given to the whether the decision detailed in Section 2.2 above was taken in accordance with the Principles of Decision Making (as outlined in Section 13 of the Constitution); and
 - ii) Should the Committee be of the view that the decision detailed in Section 2.2 above was not taken in accordance with the Principles of Decision Making, comments be formulated for consideration by the Cabinet (via the Proper Officer).

Contact Officer:- Joan Stevens– Scrutiny Manager
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BACKGROUND PAPERS

The following background paper was used in the preparation of this report:-

- (i) Hartlepool Borough Council's Constitution
- (ii) Agenda and Minutes – Cabinet of 23 May 2011
- (iii) Call-in Notice – 6 June 2011

CABINET REPORT

23 May 2011



Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – ICT, REVENUES AND BENEFITS
SERVICES

SUMMARY

1. PURPOSE OF REPORT

To enable Cabinet to make a decision in respect of the proposed options available in respect of ICT and Revenues and Benefits services and their contribution to addressing the budget deficit in the available timescales.

2. BACKGROUND

Cabinet have received three reports (on 24th January 2011, 7th February 2011 and 8th April 2011 – attached as **Appendix A, B and C** to this report) which have identified and provided options and proposed recommendations in respect of the potential benefits from and the procurement route for a revised delivery mechanism for ICT and Revenues and Benefits services.

At the meeting on 7th February 2011, Cabinet determined to refer this matter to Scrutiny for consideration with particular reference to the Revenues and Benefits element and the report from Scrutiny Co-ordinating Committee was considered on 8th April 2011.

Cabinet agreed on 8th April that further investigation of the following options be undertaken and reported back to Cabinet at the earliest opportunity taking account of the timescales required for identifying the future of the services in question and the recommendations of the Scrutiny investigation reported earlier in the meeting:

(i) A procurement exercise is undertaken using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

- (ii) Scrutiny Co-ordinating Committee's recommendations for Revenues and Benefits Services would be considered as part of whichever delivery option is chosen.
- (iii) Other local authorities be approached quickly about what opportunities there are for working together.
- (iv) Early stages of testing the market, as part of the procurement process, would be undertaken.
- (v) The options and implications of a joint venture vehicle be researched.

Additionally that the recommendations of the Scrutiny Coordinating Committee's review of the proposals for the provision of the revenues and benefits service, as referred by Cabinet on 7 February 2011, be noted and utilised to inform the process of the development of the strategy for bridging the budget deficit in the ICT and Revenues and Benefits services for 2011/12/13.

3. SUMMARY OF CONTENTS

The report provides further details regarding the actions taken to date in response to Cabinet's decision on 8th April 2011.

4. RELEVANCE TO CABINET

The report encompasses considerations in respect of a potential strategy and programme for managing the identified budget deficit for 2012/13 and is therefore within the remit of Cabinet

5. TYPE OF DECISION

Non Key.

6. DECISION MAKING ROUTE

Cabinet 23rd May 2011.

7. DECISION(S) REQUIRED

Cabinet are recommended to agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – ICT, REVENUES AND BENEFITS
SERVICES

1. PURPOSE OF REPORT

- 1.1 To enable Cabinet to make a decision in respect of the proposed options available in respect of ICT and Revenues and Benefits services and their contribution to addressing the budget deficit in the available timescales.

2. BACKGROUND

- 2.1 Cabinet have received three reports (on 24th January 2011, 7th February 2011 and 8th April 2011 – attached as **Appendix A, B and C** to this report) which have identified and provided options and proposed recommendations in respect of the potential benefits from and the procurement route for a revised delivery mechanism for ICT and Revenues and Benefits services.
- 2.2 At the meeting on 7th February 2011, Cabinet determined to refer this matter to Scrutiny for consideration with particular reference to the Revenues and Benefits element and the report from Scrutiny Co-ordinating Committee was considered on 8th April 2011.
- 2.3 Cabinet agreed on 8th April to progress with the following four options and to explore what opportunities there are in respect of:
- retaining services in-house
 - investigating an option of creating a shared service model with a local authority with a view to Hartlepool taking a lead role
 - creating a shared service via a regional business centre with a private sector partner
 - creating a joint venture vehicle
- 2.4 Additionally Cabinet agreed that Scrutiny Co-ordinating Committee's recommendations for Revenues & Benefits services will be considered as part of whichever delivery option is chosen.

3. ORIGINAL PROPOSALS

Cabinet have received three reports to date with proposals for the delivery of ICT, Revenues and Benefits Services providing details on:

- the assessment of the procurement options available had been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement (Cabinet on 24th January 2011);
- the two key drivers - investment in the local economy and service provision & efficiencies (Cabinet on 8th April 2011);
- requirements identified (Cabinet on 8th April 2011);
- a range of factors which have influenced the proposals brought forward (Cabinet on 7th February 2011 - Sections 4 and 5);
- the significant anticipated savings expected towards the 2012/13 budget deficit as an identified Business Transformation Programme Project;
- there are potential benefits to Hartlepool in economic regeneration;
- there is significant private sector experience in the delivery of these services on behalf of the public sector;
- proposed amendments to the national benefits system may result in significant changes in the scale and scope of the Revenues and Benefits services the Council currently provide;
- statutory protections for current staff would be maximised;
- timescales for the management and delivery of this project, should it be agreed, has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

4. PROGRESS TO DATE

4.1 As a result of Cabinet's decision on 8th April the following actions have been undertaken:

- other local authorities were approached quickly about what opportunities there are for working together under a shared services arrangement to deliver Revenues and Benefits services (see paragraph 4.2);
- early stages of testing the market as part of the procurement process has been undertaken (see paragraph 4.3);
- the options and implications of a joint venture vehicle to deliver Revenues & Benefits services have been researched (see paragraph 4.4);
- further assessment of retaining Revenues and Benefits services in-house (see paragraph 4.5).

4.2 The use of a 'shared services' arrangement can enable services to be provided at a level that would not be possible without collaboration,

particularly amongst smaller local authorities. Many shared services demonstrate significant success at delivering more consistent and reliable services with greater levels of satisfaction. Shared services are capable of delivering efficiencies by making better use of the existing strengths and the resources of partner Councils and taking advantage of economies of scale. Identifying the right local authority partner in a context that offers mutual benefits is crucial to developing a successful shared service arrangement.

Potential joint working with other local authorities has previously been discussed with other local authorities in the Tees Valley and an approach has been made to one local authority where there had been an indication that they were considering alternative service delivery arrangements for their Revenues and Benefits services. The Mayor was tasked with making arrangements to discuss the potential for partnering with neighbouring authorities, and his report back is attached as **Appendix D**.

4.3 Some preliminary discussions have been undertaken with suppliers on the OGC Framework. A cross-departmental team of officers have drafted procurement documentation for the purposes of testing the level of market interest to a potential procurement exercise which the Council might undertake. Meetings with representatives of the suppliers suggest that:

- there is a mature supplier market for ICT managed services, Revenues services and Benefits services;
- there would be sufficient interest from suppliers on the OGC Framework for a competitive exercise to be undertaken;
- if a procurement exercise was undertaken there is the potential to deliver savings for the authority, provide some form of economic regeneration for the town and maintain service delivery. Members will recall previous reports identified these three elements as drivers for recommending a procurement route.
- the time is right to position Hartlepool as a potential location for business development for these type of services as well as other services not directly related to Council services.

By undertaking a procurement exercise through the OGC Framework the Council will be in a position through a competitive process, to assess the extent to which a third party can contribute to the Council's challenging savings targets whilst maintaining the level of current service delivery and support regeneration in the town through the development of new jobs and skills. The Council however is under no obligation to award a contract if sufficient savings cannot be realised, services cannot be secured and there is little value to the town.

4.4 The development of a joint venture vehicle is not being recommended to Cabinet in respect of ICT managed services and Revenues and Benefits Services. A joint venture is essentially a legal entity involving

two or more partners and can take various forms e.g. contractual arrangements, limited companies, limited liability partnerships (LLP) and limited partnerships (LP), or companies, limited by guarantee or by shares. Each has their advantage in such areas as tax, profit-sharing and liability and which one is used will depend on what the Council wishes to achieve. Expert legal advice is recommended even at the options appraisal stage as well as throughout the process. Joint ventures are generally considered most appropriate when other options have been assessed and rejected as a way of getting some value from an asset which it cannot achieve without another party. The timescales and resources required to establish an effective joint venture does not fit with the Council's savings targets.

- 4.5 Retaining the Revenues and Benefits services in-house and bringing ICT managed services back into the Council's establishment would provide the Council with on-going control and accountability for those services. Corporately set savings targets have already been achieved by ICT, Revenues and Benefits services through management delayering, SDO reviews, the impact of CSR, etc.

If retained in-house the Revenues and Benefits services would still be required to contribute to the Council's savings targets through further service reorganisation. It is expected that this involve a combination of increased charges to the public, further staffing reductions and changes to the way customers access services. Any reviews to identify savings would be undertaken internally with no additional resources available to develop options or investment to achieve savings. Benchmarking information suggests that the cost of delivering some measured aspects of the Revenues and Benefits Services for 2009/10 was below the national average.

The Welfare Reform Bill includes proposals for a system of Universal Credit. Details released to date indicate that a transitional period would see all new housing benefit claims processed by the DWP from 2013 and on-going cases transferred to DWP over the following four years. No firm indication has been given as to how current local authority staff would be affected other than to confirm that local authorities nationally will no longer require housing benefit staff. The Council could potentially bear all staff termination costs as a result.

Bringing ICT managed services back into the local authority establishment would give direct control over service cost, offer the potential to reduce costs to deliver projects / additional work with new financial arrangements for managing budgets and provide for a direct link with current third party suppliers.

However as a small local authority we do not have the capacity to develop or retain the expertise needed to support the range of ICT services and systems we require, a fully developed business plan would be required before committing to growing a service to offer to

other local authorities and would undoubtedly require a huge investment and carry a commercial risk: we do not have the resources in-house to do this, the risk for delivering potential cost savings would fall directly to us as would any investment required to deliver it whilst at the same taking on new hardware and staffing costs as well as sourcing (expensive) technical expertise outside a partnership agreement.

On balance it is not therefore recommended that this option be agreed.

5. FINANCIAL CONSIDERATIONS

- 5.1 As has been highlighted in respect of these options previously and in the accompanying report on this agenda it is anticipated that following the proposed route recommended in this report will provide significant savings for the 2012/13 budget deficit. It is included at this stage as one of the Projects in the revised Business Transformation Project and has the potential to contribute significantly to the outstanding deficit identified. It is not proposed in this report to restate the scale, risk and difficulty in achieving and delivering plans to bridge this deficit.

6. CONCLUSION

- 6.1 As previously reported there are no easy solutions to the problems which are facing the Council. The considerations for Members in respect of ICT and Revenues and Benefits are in summary:
- working with another local authority in a shared services arrangement to deliver Revenues and Benefits services, with Hartlepool as the lead provider would provide the opportunity to retain services in-house and secure them in the future to some extent subject to a suitable partner organisation being identified;
 - undertake a procurement exercise using the OGC Framework which could enable savings to be achieved, maintain services and help regenerate the town with a third party through a competitive process;
 - consider the development of a joint venture vehicle to deliver Revenues & Benefits services;
 - retain Revenues and Benefits services in-house and bring ICT managed services back into the Council's establishment.
- 6.2 The range of options and consideration of potential alternatives have been outlined in this report and conclude that:-
- Preliminary research indicates that significant savings for the Council can be achieved.

- There are potential benefits to Hartlepool in economic regeneration.
- There is significant private sector experience in the delivery of these services on behalf of the public sector.
- Proposed amendments to the national benefits system may result in significant changes to the scale and scope of the Revenues and Benefits services the Council currently provide.
- Statutory protections for current staff would be maximised.

Consideration of the timescales for the management and delivery of this project, should it be agreed has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

7. RECOMMENDATIONS

7.1 Cabinet are recommended to:

- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

8. CONTACT OFFICER

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CABINET REPORT

24th January 2011



Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 (Initial Report) – Business Transformation
Programme II

SUMMARY

1. PURPOSE OF REPORT

The purpose of this report is to outline the proposed strategy for addressing the budget deficit from 2012/13 onwards building on and continuing the Business Transformation programme in a revised structure. The Council has recently received a two year spending settlement and on this basis it is advisable, as in previous years to consider appropriate strategies and plans to mitigate the impact.

2. BACKGROUND

The need to revisit and renew the current Business Transformation (BT) programme in the light of the current financial circumstances facing the council is important to ensure that the authority has in place a plan for bridging the projected deficits.

A deliverable strategy is needed which builds upon the successes and robustness of the BT programme but which considers and takes account of the decisions which have had to be made in establishing the budget for 2011/12 and the increasingly austere financial position. This report begins to address these requirements with a renewed Business Transformation Programme, including some elements from the previous programme and some additional elements to meet the budget requirements.

2. SUMMARY OF CONTENTS

A fundamental consideration for the authority is the extent to which we balance the following against a strategy which would essentially be focussed on a series of unplanned cuts. The proposals are based on:

6.2 Appendix A

- the continuation of a programme of review and change which encapsulates the Business Transformation SDOs with a series of planned reductions (primarily focussing on non statutory services and functions)
- a series of projects which enable the authority to either take opportunities which can potentially deliver significant savings (whilst protecting front line services) or provide for greater service resilience
- looking longer term and considering options for the medium term

The recently announced budget settlement provides the opportunity to clarify the financial position facing the authority over the next couple of years.

There are a range of factors which have either been announced, are understood to be in development or have been suggested in respect of emerging government policy and the role, remit and operation of local councils (and partner agencies). Whilst many of them are not clear in terms of the extent of their impact the fact remains that there has been a fundamental shift in the strategic context within which local authorities will be required to operate including the Decentralisation and Localism Bill and a range of other bills and proposals which will ultimately affect the operation of the Council and potentially the services delivered and to whom. In addition to that identified above there is also the Welfare Reform Bill and the Academies Bill which potentially bring significant changes to the benefits and education systems. This is by no means an exhaustive list, they are examples of the scale and nature of change which is being driven by legislation.

In addition to legislative changes there are a range of proposals being highlighted which may become driven by legislation, may potentially drive funding allocations or be driven by other factors. It is difficult to predict with absolute accuracy what may be encompassed in any such changes but on the balance of probabilities there are a range of issues which are liable to receive significant impetus, though the exact nature of this is still unclear.

In relation to the management of local authorities the Secretary of State has focussed particularly on questioning current management structures and there is almost certainly going to be a significant push for the greater involvement of the private sector in the delivery of local services.

The proposed programme for addressing the budget deficit is based on a combination of:

- Efficiencies identifiable through reviews of provision which are essentially those elements of services not yet considered as part of BT
- Consideration of those areas of service where there is potential for further planned reduction in provision or where there are options around reconfiguration or consideration of eligibility etc
- An identified framework of projects which are either capable of delivering significant savings or providing enhanced capacity to maintain services

- Identifying opportunities for increased income either through trading, fees and charges or alternative means

The aim through this is to have a planned and phased approach to delivering on the required savings levels, building on the successes to date in respect of the current Business Transformation Programme and ensuring that through a consolidated approach that provides for the management of the identified deficit through a new agreed Business Transformation Programme.

There are a number of immediate considerations within the programme that have been identified as a result of the scale and nature of the overall savings required and which provide potential opportunities to deliver significant savings and these cover Joint Working Arrangements and ICT and related services and are covered in more detail in the body of the report.

It is important, if the risks associated with any such programme are to be minimised, and the contribution to the MTFs maximised, that there is both a clear programme and that the financial assumptions underpinning it are suitably robust, this has been successfully achieved to date and it is intended to continue this through the renewed BT programme.

The outline programme has been determined based on a number of assumptions at this stage all of which can be easily updated following any key decisions and there are a range of risks attributable to the development and delivery of such a programme. There are however considerably greater risks from not having in place such a programme. The nature of the financial challenge means that to risk not attempting to determine solutions to these issues will result in very significant and very disruptive changes at a very late stage. This is not something which would be recommended and is not something which Cabinet have been in favour of in the past.

The BT programme has been managed according to a predetermined workplan and targets for individual projects. Each element of the programme has been managed as a separate, though interlinked, project with clear governance arrangements and timescales for delivery.

It is proposed that this is continued and expanded (albeit on a slightly different programme outline). It is proposed that the areas for consideration outlined in sections 5.4.1 and 5.4.9 efficiencies and planned reductions of the main report are combined at a departmental level to provide departments with an overall savings target, and potential scope for review for the next 12 months. This gives the opportunity for consideration to be given, as part of an overall planned reduction, to a range of options and opportunities and as part of the revised Business Transformation Programme.

It will be necessary to determine a clear programme for delivery, reporting and decision making within this framework. To achieve this it is proposed that the current arrangements in respect of Programme Board and Cabinet are maintained to ensure that members are aware of proposals and

developments and in a position to make informed decisions as part of a consolidated programme of activity.

There are no easy solutions to the problems which are facing the Council. We have been able in the past, through either a planned and structured programme (through Business Transformation) or through proposals for cutting services as seen through the most recent budgetary process, to provide significant contributions to the Medium Term Financial Strategy and to ultimately provide a balanced budget, though not without some considerable debate and concern regarding the decisions required.

The proposals to renew the Business Transformation programme identified in this report do need some further work to determine and account for any potential double counting and to ensure that we are in a position to manage and deliver it. The proposals for managing the programme are CMT's recommendations to Cabinet to enable those issues identified during the later part of last year regarding a degree of confusion between BT and budget savings to be addressed and to provide for both a degree of flexibility whilst ensuring that reporting and decision lines to Cabinet are clear.

3. RELEVANCE TO CABINET

The report encompasses considerations in respect of a potential strategy and programme for managing the identified budget deficit for 2012/13 and is therefore within the remit of Cabinet

4. TYPE OF DECISION

Non Key

5. DECISION MAKING ROUTE

Cabinet 24th January 2011

6. DECISION(S) REQUIRED

Cabinet are recommended to

- Agree to the priorities in the programme of work identified in the report and that they be delivered on a departmental basis
- Agree that the programme above to be considered by BT Board and for decision by Cabinet as part of a managed programme
- That a further more detailed report on potential savings from this programme is provided to Cabinet before the end of February 2011.
- That the identified projects, with others Cabinet may wish to identify, are further scoped and progressed as part of the managed programme
- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

- Agree to the submission of a funding bid to RIEP for an assessment of the potential for joint working with other authorities

Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT 2012/13 (Initial Report) – Business Transformation Programme II

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to outline the proposed strategy for addressing the budget deficit from 2012/13 onwards. The Council has recently received a two year spending settlement and on this basis it is advisable, as in previous years to consider appropriate strategies and plans to mitigate the impact.

2.0 BACKGROUND

2.1 The need to revisit and renew the current Business Transformation (BT) programme in the light of the current financial circumstances facing the council is important to ensure that the authority has in place a plan for bridging the projected deficits. The current BT programme has delivered £2.5m for the 2010/11 budget and is on schedule to deliver the increased target of £2.9m for the 2011/12 budget. However even with this contribution the authority still faces significant budget deficits in later years.

2.2 A deliverable strategy is needed which builds upon the successes and robustness of the BT programme but which considers and takes account of the decisions which have had to be made in establishing the budget for 2011/12 and the increasingly austere financial position.

2.3 At the Cabinet meeting on 28th June 2010 a report was considered which encompassed a range of questions which essentially related to the next steps for the future shape of the council. As part of this a number of questions were posed which have informed the budget strategy for developing the budget for 2011/12. The questions included the fundamental question of “can the authority continue to operate in its current manner” and underpinning this fundamental question were a range of others, including;

- Can services be maintained at their current level?
- Can we continue to deliver all services ourselves or should we investigate other models of delivery?
- Can we identify plans that will deliver the degree of savings needed?
- Can we balance a desire to deliver high quality services with the savings needed?

- Can/should we continue to deliver all the services we currently deliver or do we need to prioritise services?
 - Can we charge for some services which are currently provided free, or increases existing charges?
- 2.4 As part of this series of questions a range of options were considered by Cabinet in respect of an emerging strategy which included;
- The provision and prioritisation of services
 - Commissioning of services (including from others in the public and private sectors, social enterprises)
 - Shared services or provision
 - Partnering
 - Alternative methods of delivering services
- 2.5 The strategy for the determination of the budget for 2011/12 has in part started to address this, in conjunction with the agreement to a number of recommendations from Service Delivery Options reports through BT including consideration of Trust arrangements for Leisure, Community Interest Companies (or similar models) for adult social care.
- 2.6 A fundamental consideration for the authority is the extent to which we balance the following against a strategy which would essentially be focussed on a series of unplanned cuts. The proposals are based on :
- the continuation of a programme of review and change which encapsulates the former Business Transformation SDOs with a series of planned reductions (focussing on none statutory services and functions)
 - a series of projects which enable the authority to either take opportunities which can potentially deliver significant savings (whilst protecting front line services) or provide for greater service resilience
 - looking longer term and considering options for the medium term

3.0 THE EVOLVING FINANCIAL SITUATION

- 3.1 The recently announced budget settlement provides the opportunity to clarify the financial position facing the authority over the next couple of years. Whilst the final details of any likely deficit are the subject of decisions on the budget for 2011/12 by Cabinet and Council, the current forecasts suggest that the budget deficit for 2012/13 will be between £7.5M and £10.4M. This is the headline deficit assuming that there are no savings factored in for Business Transformation or Council tax rises in these years.
- 3.2 It is the review of the BT programme and the alternative options which are recommended to be pursued that this report focuses on. This report considers the potential savings that may be achievable through a range of project areas (including what are essentially overhanging Business Transformation SDOs) in a consolidated programme of activity.

6.2 Appendix A

3.3 At either end of the scale the deficits faced are significant. This is particularly the case when they are considered in the light of the changes and savings which have been made over the last few years and require a focussed and agreed approach. It is not felt possible to achieve these through one route alone and it is clear that there are some extremely difficult decisions to be made over the next two years.

4.0 EMERGING GOVERNMENT POLICY

4.1 There are a range of factors which have either been announced, are understood to be in development or have been suggested in respect of emerging government policy and the role, remit and operation of local councils (and partner agencies). Whilst many of them are not clear in terms of the extent of their impact, the fact remains that there has been a fundamental shift in the strategic context within which local authorities will be required to operate.

4.2 The Decentralisation and Localism Bill published in December 2010 has a number of significant proposed changes including issues such as powers for the Secretary of State to transfer to elected Mayors any function of any body, a General Power of Competence for local government, requirements for referenda on council tax rises above a predefined level, a requirement for councils to draw up and publish a list of assets of community value, a community “right to challenge”, powers for a range of bodies to develop Neighbourhood plans for planning purposes. This is not an exhaustive list and is designed to provide a flavour only of the changes.

4.3 There are a range of other bills and proposals which will ultimately affect the operation of the Council and potentially the services delivered and to whom. In addition to those identified above, there is also the Welfare Reform Bill and the Academies Bill which potentially bring significant changes to the benefits and education systems. This is by no means an exhaustive list, they are examples of the scale and nature of change which is being driven by legislation.

4.4 In addition to legislative changes there are a range of proposals being highlighted which may become driven by legislation, may potentially drive funding allocations or be driven by other factors. It is difficult to predict with absolute accuracy what may be encompassed in any such changes but on the balance of probabilities there are a range of issues which are liable to receive significant impetus, though the exact nature of this is still unclear.

4.4.1 There have been repeated statements that local authorities can protect front line services by being “more efficient”. In determining this, the government have focussed on a number of areas; back office services, the role of chief executives, greater involvement of private sector. As has been stated they have not identified how, or if, they might mandate any of these.

4.4.2 The assumption in relation to back offices services appears to be that they can be delivered more efficiently either by the private sector or by joining up

provision across a number of authorities and that as they are not front line, they should be minimised. Hartlepool has significantly reduced its back office functions over the last 2 years through the Business Transformation programme and through proposals for budget reductions for the 2011/12 budget and there is still some potential for greater efficiency in respect of some elements which is covered later in this report.

- 4.4.3 In relation to the management of local authorities, the Secretary of State has focussed particularly on questioning the need for Chief Executives. Taking a broader view on this and considering the developments put in place by a number of authorities there is the potential to consider a chief executive shared over two or more authorities. It is a potential extension of this, and in taking it to a logical, though potentially complex solution, that the development of joint management teams and commissioning arrangements could be feasible.
- 4.4.4 There is almost certainly going to be a significant push for the greater involvement of the private sector in the delivery of local services. It is currently unclear how this may be driven however there are a couple of options which may be considered. There is potential that a revised version of Compulsory Competitive Tendering (CCT) may be reintroduced although this is seen as unlikely or a model which may fund councils based on the percentage of work which is delivered by bodies other than the council itself. These are obviously only potential models but it is likely that in driving this forward that there will be a significant mandatory element to it.

5.0 PROPOSED PROGRAMME OUTLINE

- 5.1 The proposed programme for addressing the budget deficit is based on a combination of:
- Efficiencies identifiable through reviews of provision which are essentially those elements of services not already considered as part of BT
 - Consideration of those areas of service where there is potential for further planned reduction in provision or where there are options around reconfiguration or consideration of eligibility etc
 - An identified framework of projects which are either capable of delivering significant savings or providing enhanced capacity to maintain services
 - Identifying opportunities for increased income either through trading, fees and charges or alternative means
- 5.2 The aim through this is to have a planned and phased approach to delivering on the required savings levels, building on the successes to date in respect of the Business Transformation Programme and ensuring that through a consolidated approach that provides for the management of the identified deficit.

- 5.3 Essentially the proposed programme at this stage would consist of a number of related though not intrinsically linked elements which are essentially a revised and redefined Business Transformation Programme.
- 5.4 The programme is based on the following:
- 5.4.1 **Efficiencies**
- 5.4.2 As has been discussed the BT programme, and the SDO element of this in particular, has been successful in delivering a planned series of savings for the MTFs. The approach has provided a robustness which has enabled the consideration of service issues and an ability to manage risk in terms of their achievement for the MTFs.
- 5.4.3 The Programme was effective in the manner in which it was delivered but the recently announced grant settlements and the work required to address this additional deficit has resulted in a degree of confusion and overlapping between various proposals which does not help in ensuring a clear understanding of impact and any other considerations.
- 5.4.4 What is important in the context of the scale of cuts is that there is a clarity on our overall programme, a degree of flexibility in achieving these and an understanding of where savings will come from.
- 5.4.5 With this in mind it is proposed that, whilst not being undertaken as SDOs that reviews of services provision, to a defined scope, savings expectation and timetable are undertaken. These reviews will form part of the overall programme and it will be necessary, in undertaking them to ensure there is a degree of flexibility in achieving the targets.
- 5.4.6 In addition it is proposed that the elements of the Business Transformation programme which cover Assets, Transactional and Non Transactional service areas should also be continued with the originally established targets still in place (or rolled over if they are not achieved in 2010/11).
- 5.4.7 The proposed areas for consideration for this element of the strategy are attached as appendix 1. It is the view of Corporate Management Team that this programme, which is essentially a revised year 3 SDO programme, should be continued but, as discussed in Section 7 at a Departmental level with those areas covered in Section 5.4.9 below.
- 5.4.8 Given current considerations of the budget it has not been possible at this stage to absolutely confirm potential savings “targets” as it is likely that given the scale of recent cuts a number of these will need to be revised to ensure they are achievable.
- 5.4.9 **Planned reductions**
- 5.4.10 There is some potential for further reduction across a range of services areas which will need to consider the extent to which already reduced

services which are not statutory, or which have a degree of latitude in their provision. Further consideration can be given to the scale, manner and nature of the delivery of these services and for assessment purposes these have been considered by Corporate Management Team and a range of the service areas to be considered.

5.4.11 Again given current considerations of the budget it has not been possible at this stage to absolutely confirm potential savings “targets” as it is likely that given the scale of recent cuts a number of these will need to be revised to ensure they are achievable.

5.4.12 **Projects**

5.4.13 There are a range of projects, outside the scope of those areas considered in 5.4.1 and 5.4.9 sections above which offer the option, either through changes to arrangements for this Council, through working in partnership with others or through the consideration of other alternative working arrangements, Trusts, Trading Companies etc, to either deliver savings or to provide capacity or robustness around continued service provision.

5.4.14 It is important to note that these identified project areas in themselves will be potentially very challenging in terms of the timescales for their delivery and the fact that they will, in most instances involve a change in how services are provided.

5.4.15 The proposed programme for this element of the strategy includes consideration of the following:

- Buildings
- Joint asset use
- ICT and related services
- Joint working with other authorities
- Streetscene
- Leisure Trust
- Museums Trust
- Adult Social Care Trading Company
- Procurement (NE and Tees Valley)
- Transport (NE and Tees Valley)
- Photo voltaic cells
- Asset Backed Vehicle

5.4.16 In considering each of these areas (either alone or jointly) it will be necessary to determine initial business cases and resources to enable these to be progressed and the most appropriate manner in which this can be undertaken.

5.4.17 There is currently consideration being given, through Tees Valley Chief Executives, to the options and potential which is available around the areas identified.

5.4.18 These projects are presented, for the purposes of this report as separate entities. There will be a separate report to Cabinet, linked to this, on the powers of the authority to trade and in implementation terms options for consolidating these will be reviewed.

5.4.19 **Income Generation**

5.4.20 The Council is currently working with the other 11 North East authorities on a collaborative project, funded by the RIEP, to identify for all local authorities any additional or new income generation opportunities. This work has been commissioned from Deloittes, by Newcastle City Council (who have agreed to take the lead on this project).

5.4.21 The project is designed to consider current and potential charging arrangements for services, fee levels and opportunities for income generation. This is due to report early this year and is included in this report as a further potential option for contributing to the budget deficit, although in terms of overall contribution it is not seen as significant in itself.

5.5 **Immediate considerations**

5.5.1 There are a number of immediate considerations within the programme that have been identified as a result of the scale and nature of the overall savings required and which provide potential opportunities to deliver significant savings.

5.5.2 **Joint Working Arrangements**

5.5.3 The concept of joint working between organisations is not a new one. The extent to which this joint working or shared provision between authorities has been a high priority is something which has changed significantly over the last 18 months. There are a range of examples of joint working in individual or grouped service areas and this authority has been involved in a number of these arrangements where we are either the lead organisation or where another authority takes this role.

5.5.4 The extent to which joint arrangements can be successful is based on a number of factors, they include, but not exclusively so the following;

- the need and desire of the respective organisations to be able to agree on what should be jointly delivered
- the extent to which provision can be specific at an agreed level
- considerations of control and accountability
- the financial, policy, service and political drivers to succeed.

5.5.5 Joint arrangements have previously focussed on joint provision of agreed services, normally with an identified lead agency delivering services to an agreed standard, scope and to a geographical area.

5.5.6 The emerging government policy, partially driven by the budget settlements, is that there will be an increased drive for this over the medium term. As has been identified in other sections of this report there is an increasing drive for shared Chief Executives and management teams, there have been some high profile and well publicised examples of authorities taking this a stage further and joining delivery and commissioning functions. It is important that the authority is in a position to understand the extent to which any such consideration is feasible and potentially deliverable if it were seen to be beneficial. With this in mind it is proposed to make use of available funding from The Regional Improvement and Efficiency Partnership (RIEP) to fund an initial assessment of the potential, opportunities and any other legal and financial considerations.

5.5.7 **ICT and related services**

5.5.8 The current ICT contract with Northgate is one of the largest single contracts the authority has in place. An extension to this agreement was negotiated in 2009 to take the current arrangements to November 2013. As part of this extension a number of benefits were negotiated for the authority which have been previously reported to Cabinet and which have been a positive benefit for the organisation.

5.5.9 It is however appropriate to consider, in the light of a range of potential changes, challenges and opportunities whether the authority should seek to maximise any benefits which could come from alternative arrangements.

5.5.10 At a regional level ICT procurement has been identified as one of the top 10 areas for consideration. There are currently disparate arrangements for the procurement of ICT services and hardware and this is a high spend area for most authorities and one in which, in the light of the financial challenges, most authorities are looking to reconsider.

5.5.11 Emerging government policy, covered in more detail in section 4 of this report, is strongly suggesting a number of potential approaches in respect of “back office” services (of which ICT is clearly one). These vary from an outsourced approach, to joining with other authorities through to authorities taken a more holistic approach to ICT and related services in order to derive benefits in terms of service delivery and the potential for this to enhance the regeneration offer in a locality.

5.5.12 The original ICT specification for the Council included as part of it the potential to extend the current arrangements from a purely managed service for ICT to include other service areas such as Revenues and Benefits and customer contact.

5.5.13 Research by the council has identified that there is a potential opportunity to reconsider the current ICT delivery arrangements and to broaden the service base included in any such process to include the revenues and benefits service. It is clear from a range of recent government announcements that

6.2 Appendix A

there are potentially significant changes to the benefits function. It also appears highly likely that any such changes will direct a much greater involvement of the private sector in their delivery and that local authorities, if this is the case, will potentially be excluded from such delivery with a major focus on the private sector.

- 5.5.14 There is the potential, through the consideration of ICT and Revenues and Benefits functions jointly (and as per the original options in the contract which was agreed with Northgate) that significant benefits may be realised in both costs terms and in respect of having in place a scalable solution for the provision of such services based in Hartlepool with the associated benefits which may be attributable to such an arrangement. It would be prudent and advisable to incorporate into any such arrangement a proviso which incorporates the potential for their to be evaluation criteria which incorporate this being a hub for future development and provision of services to other authorities to the benefit of the town.
- 5.5.15 With regard to these services there are a number of issues which support a competitive procurement of these element of Council activity:
- Preliminary market research indicates that significant savings for the Council can be achieved through pursuing, though a competitive arrangement, such a process particularly where this is done in such a way that it is integrated the complimentary IT infrastructure.
 - There is significant private sector experience in the delivery of these services on behalf of the public sector so the opportunity exists to benefit from tried and tested best practice established through multiple successful outsourced arrangements.
 - Proposed amendments to the national benefits system may result in significant changes to the scale and scope of the Revenues and Benefits services the Council currently provide. The ability to react flexibly to these changes will be important to the Council and this can be catered for in a well constructed contract.
 - It is also important to be in a position to effectively manage the risk of any change and the operational impact on the council and such a consideration manages this.
- 5.5.16 Although the proposal suggests the creation of an arrangement which will allow the Council to consider the inclusion of other services at some point in the future, as and when deemed appropriate, there is currently no suggestion that this approach be applied to services such as Human Resources, Finance, Legal Services. There may be different opportunities in relation to the delivery of these services, possibly through sharing services across the sub-region.
- 5.5.17 An assessment of the procurement options available has been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement.

6.2 Appendix A

5.5.18 As a result of this it is proposed that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services which is a framework of providers pre qualified to meet procurement and service requirements.

6.0 FINANCIAL ASSUMPTIONS AND RISK

6.1 It is important, if the risks associated with any such programme are to be minimised, and the contribution to the MTFs maximised, that there is both a clear programme and that the financial assumptions underpinning it are suitably robust.

6.2 The programme has been determined based on a number of assumptions at this stage all of which can be easily updated following any key decisions.

- An assumed level of savings required as this will not be fully determined until Council determine the budget for 2011/12
- An assumed savings target from the various elements of the programme based on a desire to reduce double counting of potential savings and /or a reduced ability to deliver savings dependant of decisions made in respect of the 2011/12 budget (removing the potential for multiple reductions in the same area)
- A factoring down of savings where areas are counted more than once through the Efficiencies and Planned Reduction elements of the programme.
- To provide for a robust programme capable of delivery there will be a revision of a number of the original SDO targets from the BT programme.
- The savings attributable to the Projects element of the Programme are currently estimates and will require initial business cases prior to further development.
- There is an assumed council tax rise of 2.5% (£1m) in 2012/13 and 3.9% (£1.6m) 2013/14. If this is not progressed any financial projections will need to be adjusted to account for this.

6.3 There are a range of risks attributable to the development and delivery of such a programme. There are however considerably greater risks from not having in place such a programme. The nature of the financial challenge means that to risk not attempting to determine solutions to these issues will result in very significant and very disruptive changes at a very late stage. This is not something which would be recommended and is not something which Cabinet have been in favour of in the past.

6.4 In simplistic terms the identified risks are as follows

- Capacity to deliver any programme of change

This has been flagged up in the consideration of previously developed programme. Whilst this risk has always been managed and the programmes have been delivered, or over delivered, the resources to

6.2 Appendix A

manage and deliver this, whilst maintaining services, are an ever shrinking pool. It is likely that to pursue a number of the options identified in this report that external support and expertise will be required.

- Increasing difficulty and complexity

Whilst the scale of change we have been facing has never been easy to address it becomes increasingly difficult (and with this comes an increased level of risk) to deliver significant change and savings from an ever reducing budget.

- Evolving Government policy

Government policy is evolving at a significant pace. It is not currently clear how far this will go or how this will directly, or indirectly affect the role and function of local authorities, or the expectations placed upon them. It is however clear that there will be a period of continued and significant change and that the authority would be well placed to consider early the options which are available to be in a position to respond quickly. Recent White Papers and Bills have significantly changed these roles and functions. It is considered that these changes will continue.

- Future financial settlements

Whilst the authority has received a settlement which covers 2011/12 and 2012/13 there is no certainty beyond this period. The government have also announced their intention to review the Local Government Finance system with a view to any new system being in place for the following year. It is unclear what this may entail but it is a significant risk in the medium to long term.

7.0 MANAGING THE PROGRAMME

7.1.1 The BT programme has been managed according to a predetermined workplan and targets for individual projects. Each element of the programme has been managed as a separate, though interlinked, project with clear governance arrangements and timescales for delivery.

7.1.2 At the point at which the programme was determined it was devised to deliver the savings which were expected to be required to balance the budget. The changing financial climate and the additional levels of saving required has meant that the BT programme, for the last 6 months has been operating alongside a requirement to identify additional savings in order to ensure that the budget can be balanced. This has caused a degree of difficulty in being clear about changes which are being made, the savings which are to be delivered and the manner in which this can be managed.

7.1.3 It is proposed that the (areas for consideration outlined in sections 5.4.1 and 5.4.9 efficiencies and planned reductions) are combined at a departmental

6.2 Appendix A

level to provide departments with an overall savings target, and potential scope for review for the next 12 months. This gives the opportunity for consideration to be given, as part of an overall planned reduction, to a range of options and opportunities.

- 7.1.4 It will be necessary to determine a clear programme for delivery, reporting and decision making within this framework. To achieve this it is proposed that the current arrangements in respect of Programme Board and Cabinet are maintained to ensure that members are aware of proposals and developments and in a position to make informed decisions as part of a consolidated programme of activity.

8.0 FINANCIAL SUMMARY

- 8.1 The elements which comprise the programme have been outlined in the main body of this report. Whilst the programme has been broken down into a number of elements the proposals for the management of this have been explained above

- 8.2 Whilst it is still necessary to undertake more detailed modelling of the potential of the identified elements of the programme (and this will be the subject of a separate report to Cabinet), initial assessments have identified the following potential.

	12/13(£m)	12/13 (£m)	Report Section
Deficit	7.5	7.5	
Efficiencies	2.7	2.7	(5.4.1)
Planned Reductions	2.3	0.8	(5.4.9)
Projects	1.5	3.0	(5.4.12)
Council Tax	1.0	1.0	
	7.5m	7.5m	

- 8.3 The exact scale and nature of the programme offers some flexibility but the projections are based on best and worse case scenarios in each area.

9.0 CONCLUSION

- 9.1 There are no easy solutions to the problems which are facing the Council. We have been able in the past, through either a planned and structured programme (through Business Transformation) or through proposals for cutting services as seen through the most recent budgetary process, to provide significant contributions to the Medium Term Financial Strategy and to ultimately provide a balanced budget, though not without some considerable debate and concern regarding the decisions required.

- 9.2 The proposed programme identified in this report does need some further work to determine and account for any potential double counting and to

ensure that we are in a position to manage and deliver it. The proposals for managing the programme are CMT's recommendations to Cabinet to enable those issues identified during the later part of the year regarding a degree of confusion between BT and budget savings to be addressed and to provide for both a degree of flexibility whilst ensuring that reporting and decision lines to Cabinet are clear.

9.3 It is worth reiterating that the scale of the deficit is significant, a minimum deficit in 2012/13 of £7.5m (with the maximum dependant on budget decisions for 2011/12 being £10.4m) and a minimum cumulative deficit over the period 2012/13 to 2014/15 being £14.55m. Such a deficit requires consideration of a range of radical and significant change.

9.4 The rationale for the management of the programme and the proposals for its delivery are based on a need to ensure that such decisions can be made in a timely and managed fashion. In many ways this requires consideration in advance of the normal budgetary timetable.

10.0 RECOMMENDATIONS

10.1.1 Cabinet are recommended to

- Agree to the priorities in the programme of work identified in the report and that they be delivered on a departmental basis
- Agree that the programme above to be considered by BT Board and for decision by Cabinet as part of a managed programme
- That a further more detailed report on potential savings from this programme is provided to Cabinet before the end of February 2011.
- That the identified projects, with others Cabinet may wish to identify, are further scoped and progressed as part of the managed programme
- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.
- Agree to the submission of a funding bid to RIEP for an assessment of the potential for joint working with other authorities

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Appendix 1

Dept	Department/Review
Chief Executives	Performance and Partnerships and Public Relations
Chief Executives	Scrutiny, Democratic Services, Member Services
Chief Executives	Customer Services, Contact Centre, Registrars *
Regeneration & Neighbourhoods	Community Safety, DAT, ASB, FIP (and Drugs Intervention)
Regeneration & Neighbourhoods	Economic Development *
Regeneration & Neighbourhoods	Development & Building Control, Spatial Planning (LDF), Landscape & Conservation, Strategic Transport Policy
Regeneration & Neighbourhoods	Asset & Property
Regeneration & Neighbourhoods	Traffic & Transport Services, Highways Services, ITU, Car Parking & Depot
Child & Adult Services	Service User Finance, Property & Appointeeship
Child & Adult Services	Adult Social Care Teams, including Safeguarding, intermediate care/MH/LD/Dis and OP
Child & Adult Services	Total Social Care Commissioning (Adults & Children's)
Child & Adult Services	Museum, Heritage, Strategic Arts & Events
Child & Adult Services	Grants to Comm & Vol Orgs Originally **
Child & Adult Services	Adult Education
Child & Adult Services	School Admissions
Child & Adult Services	Primary & Secondary/National Strategies, School Transformation, Strategy & Commissioning
Child & Adult Services	Children's Social Care Teams and Safeguarding *** Disability Team, Prevention Services, Family Resource Teams, Duty Team

Workstreams

Assets
 Transactional
 Non Transactional

- * BF from year 4
- ** From year 2
- *** balance from year 1 review

CABINET REPORT

7th February 2011



Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – BUSINESS TRANSFORMATION
PROGRAMME II (FOLLOW UP REPORT)

SUMMARY

1. PURPOSE OF REPORT

The purpose of this report is to provide additional information in respect of the decision deferred by Cabinet in its meeting of 24th January 2011 in relation to the delivery of ICT and Revenues and Benefits services

2. BACKGROUND

The report of 24th January 2011 proposed an outline structure for a strategy and related plans to address the deficits identified as part of the Medium Term Financial Strategy for 2012/13 and beyond.

The report also made proposals in relation to ICT and Revenues and Benefits which are seen to be fundamental as part of the strategy to manage the budget deficit and capable of delivering a range of benefits both to the authority and more broadly to Hartlepool as a town.

In the report of 24th January a number of elements to any renewed Business Transformation programme were identified and agreed as the basis for the development of a more detailed programme for implementation (subject to Cabinet approval). These included :

- Efficiencies
- Planned Reductions
- Projects
- Income Generation

It is in relation to Projects, and more specifically in relation to the proposed project for ICT and Revenues and Benefits, that this report focus's with section 5 of the report giving an assessment of the identified potential options.

3. SUMMARY OF CONTENTS

As was stated in the report of 24th January the current ICT arrangement with Northgate is one of the largest single contractual arrangements the authority has in place. An extension to this agreement was negotiated in 2009 to take the current arrangements to November 2013 which gave the authority a range of benefits.

The report identifies that is however appropriate to consider, in the light of a range of potential changes, challenges and opportunities whether the authority should seek to maximise any benefits which could come from alternative arrangements and that research by the council has identified that there is a potential opportunity to reconsider the current ICT delivery arrangements and to broaden the service base included in any such process to include the Revenues and Benefits service. It is clear from a range of recent government announcements that there are potentially significant changes to the Benefits function. It also appears highly likely that any such changes will direct a much greater involvement of the private sector in their delivery and that local authorities, if this is the case, will potentially be excluded from such delivery with a major focus on the private sector.

The report identifies that there are a number of factors which underpin the basis for any procurement undertaken and would include (with further detail provided in the body of the report) :

- Investment in the local economy
- Service Provision

As was stated in the report to Cabinet on 24th January 2011 an assessment of the procurement options available has been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement

The report identifies that there are a range of alternative options available to the council in determining an appropriate way forward in respect of these, and other, service areas. The main options and a consideration of the relative benefits and disadvantages, in conjunction with the associated considerations around timescales and deliverability, are outlined in the main report with a summary below.

- Retain Current Arrangements
- Create Shared Service model with another Local Authority
- Create shared service approach via a Regional Business Centre model with a Private Sector partner
- Create a Joint Venture vehicle

As Cabinet are aware from the report on the 24th January 2011 the authority is only likely to be in a position to manage the budget deficits that it faces through a broad programme of work. As was identified in this overall programme one key area will be in the delivery of a number of identified and

agreed projects. Members are well aware of the scale of the challenge in organisational and financial terms and that such a deficit requires consideration of a range of radical and significant changes.

A range of options and consideration of potential alternatives have been outlined in this report but with regard to these services there are a number of issues which support a competitive procurement of these element of Council activity:

- Preliminary research indicates that significant savings for the Council can be achieved through pursuing, though a competitive arrangement, such a process particularly where this is done in such a way that it is integrated with the complimentary IT infrastructure.
- There are potential benefits to Hartlepool in economic regeneration which the authority would be looking to maximise as part of any arrangement.
- There is significant private sector experience in the delivery of these services on behalf of the public sector so the opportunity exists to benefit from tried and tested best practice established through multiple successful outsourced arrangements.
- Proposed amendments to the national benefits system may result in significant changes to the scale and scope of the Revenues and Benefits services the Council currently provide. The ability to react flexibly to these changes will be important to the Council and this can be catered for in a well constructed contract.
- It is also important to be in a position to effectively manage the risk of any change and the operational impact on the council and the proposed solution manages this as far as would be practicable.
- Statutory protections for current staff would be maximised.

Consideration of the timescales for the management and delivery of this project, should it be agreed has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

4. RELEVANCE TO CABINET

The report is a follow up requested by Cabinet at the meeting on 24th January 2011

5. TYPE OF DECISION

Non Key

6. DECISION MAKING ROUTE

Cabinet 7th February 2011

7. DECISION(S) REQUIRED

Cabinet are recommended to

- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – BUSINESS TRANSFORMATION
PROGRAMME II (FOLLOW UP REPORT)

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to provide additional information in respect of the decision deferred by Cabinet in its meeting of 24th January 2011 in relation to the delivery of ICT and Revenues and Benefits services.

2.0 BACKGROUND

2.1 The report of 24th January 2011 proposed an outline structure for a strategy and related plans to address the deficits identified as part of the Medium Term Financial Strategy for 2012/13 and beyond.

2.2 It identified that a deliverable strategy is needed which builds upon the successes and robustness of the BT programme but which considers and takes account of the decisions which have had to be made in establishing the budget for 2011/12 and the increasingly austere financial position and is capable of delivering savings for the 2012/13 budget.

2.3 As part of this it was identified that at previous Cabinet meetings (including that of 28th June 2010 reports have been considered where a number of questions were posed which have informed the budget strategy for developing the budget for 2011/12. The questions included the fundamental question of “can the authority continue to operate in its current manner” and underpinning this fundamental question were a range of others, including;

- Can services be maintained at their current level?
- Can we continue to deliver all services ourselves or should we investigate other models of delivery?
- Can we identify plans that will deliver the degree of savings needed?
- Can we balance a desire to deliver high quality services with the savings needed?
- Can/should we continue to deliver all the services we currently deliver or do we need to prioritise services?
- Can we charge for some services which are currently provided free, or increase existing charges?

The proposals in relation to ICT and Revenues and Benefits are seen to be fundamental as part of this strategy and capable of delivering a range of benefits both to the authority and more broadly to Hartlepool as a town.

2.4 For completeness it is worthwhile to restate the financial position which shows that whilst the final details of any likely deficit are the subject of decisions on the budget for 2011/12 by Cabinet and Council, the current forecasts suggest that the budget deficit for 2012/13 will be between £7.5M and £10.4M. This is the headline deficit assuming that there are no savings factored in for Business Transformation or Council tax rises in these years.

2.5 It is not felt possible to achieve these through one route alone and it is clear that there are some extremely difficult decisions to be made over the next two years.

3.0 **Programme Structure**

3.1.1 In the report of 24th January a number of elements to any renewed Business Transformation programme were identified and agreed as the basis for the development of a more detailed programme for implementation (subject to Cabinet approval). These included :

- Efficiencies
- Planned Reductions
- Projects
- Income Generation

It is in relation to Projects, and more specifically in relation to the proposed project for ICT and Revenues and Benefits, that this report will focus with section 5 of the report giving an assessment of the identified potential options.

4.0 **ICT and related services**

4.1 As was stated in the report of 24th January the current ICT arrangement with Northgate is one of the largest single contractual arrangements the authority has in place. An extension to this agreement was negotiated in 2009 to take the current arrangements to November 2013. As part of this extension a number of benefits were negotiated for the authority which have been previously reported to Cabinet and which have been a positive benefit for the organisation. The arrangements with Northgate have evolved over the period of the current arrangement and there have been significant partnership benefits to the Council from this arrangement and its operation.

4.2 It is however appropriate to consider, in the light of a range of potential changes, challenges and opportunities whether the authority should seek to maximise any benefits which could come from alternative arrangements.

4.3 Research by the council has identified that there is a potential opportunity to reconsider the current ICT delivery arrangements and to broaden the service base included in any such process to include the Revenues and Benefits service. It is clear from a range of recent government announcements that there are potentially significant changes to the Benefits function. It also

appears highly likely that any such changes will direct a much greater involvement of the private sector in their delivery and that local authorities, if this is the case, will potentially be excluded from such delivery with a major focus on the private sector.

- 4.4 There is the potential, through the consideration of ICT and Revenues and Benefits functions jointly (and as per the original options in the contract which was agreed with Northgate) that significant benefits may be realised in both costs terms and in respect of having in place a scalable solution for the provision of such services based in Hartlepool with the associated benefits which may be attributable to such an arrangement.
- 4.5 The detailed scope of services included in any specification is to be determined. It will recognise the importance of high quality front line service delivery continuing easily available to local people, especially in relation to Benefits and some aspects of Revenues services.
- 4.6 The basis for any procurement undertaken by the authority would include a number of requirements, the basis for these and the anticipated benefits are detailed below :
- 4.6.1 Investment in the local economy
- There is a significant opportunity, that the authority would look to maximise, that through any procurement exercise the identification of options for the development of a model of service delivery which provides for regeneration based in Hartlepool and aligns to the delivery of services at a sub regional and regional basis. We would be looking for a partner to develop and invest in the local economy and detail proposals for future growth and the investment to be made and the benefits to the partnership.
 - In addition we would be considering the extent to which proposed plans would enable and encourage other public sector organisations to utilise the services established and how this will contribute to future growth and development and plans to both retain and develop jobs within the service areas being considered to the benefit of the local economy.
 - In addition we would be considering the extent to which these arrangements are beneficial to the authority in service and financial terms through the potential for inclusions such as “gain share” (an arrangement which would provide a direct financial benefit to the authority through any additional work delivered through such an arrangement) and opportunities for further partnership or trading opportunities with the partner working directly with the authority (to the benefit of both organisations).
 - It is important to recognise that an important part of any requirement from the perspective of the local authority, in conjunction with a desire to provide additional benefits to the local economy, is to protect the

current employment of staff (this is equally the case and would be reflected in the section below, service provision).

4.6.2 Service Provision

- Any arrangement would be required to combine high quality service delivery with the opportunity for efficiencies in delivery. The OGC buying solutions framework has 12 private sector providers that are prequalified with the OGC Buying solutions for the delivery of such services. The pre qualification for this frameworks includes assessments of :
 - Technical solutions (innovation, benefits realisation, quality of solution)
 - Commercials (Pricing, Value for Money, Payment profiles)
 - Service Delivery (Service levels, key performance indicators, Transition)
- Any potential provider would be expected to demonstrate how services will be delivered, to the outcomes that the Authority specifies, the service standards and quality frameworks that they will work to. It is important to recognise that the delivery of services may differ from current arrangements but will have to be allied to the outcomes and service standards specified.
- In recognition of the changes and pressures which the authority faces there will be a requirement for any provider to identify both the savings to be delivered against the current cost base, the approach to the risks in delivering these savings and the assumptions made in determining these. Such reassurances provide the authority with a basis upon which to adequately manage overall financial and service risk.
- The external, nationally driven, policy and financial pressures which the authority is facing will mean that any provider is required to demonstrate how any proposed delivery model and associated costings demonstrate ongoing value for money, service flexibility and flexibility in provision and partnership arrangements to both meet the authority's ongoing transformation agenda and external pressures, drivers and national policy changes.
- Particular consideration will need to be given to how any provider will review and improve provision over the course of the agreement with particular reference to considerations around the effects of universal credit and provision.

4.6.3 As was stated in the report to Cabinet on 24th January 2011 an assessment of the procurement options available has been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement but any adopted route is obviously subject to Cabinet consideration in this meeting of the additional information requested in the meeting of the 24th January 2011.

5.0 Options available

5.1 There are a range of alternative options available to the council in determining an appropriate way forward in respect of these, and other, service areas. The main options and a consideration of the relative benefits and disadvantages, in conjunction with the associated considerations around timescales and deliverability are outlined below.

5.2 Retain Current Arrangements

5.2.1 The Council continues to deliver services within the current delivery model via an 'in house' delivery of Revenues and Benefits Service and a partnership (or outsourced) ICT model with Northgate. The current ICT Managed Service contract will continue until the end of the current term in October 2013 whereby the Council will look to re-tender. The Revenues and Benefits Service will continue to be delivered 'in house' by the Council. It would require the authority to retain responsibility for delivering savings as part of the MTFS via the current Business Transformation Programme (BT).

5.2.2 Potential Benefits

- By maintaining the existing outsourced arrangement for the management and support of ICT, HBC will continue to have in place a stable solution for the provision of ICT and the currently agreed savings in line with contract extension signed in 2009. This provides for stability in respect of current service provision in respect of the increased utilisation of ICT in the core delivery of services
- Overall ownership for the Revenues and Benefits service will remain with the Council allowing changes already identified in the current Business Transformation programme to be realised in the short term and consideration to be given internally to the options available for the delivery of further savings.
- There will be limited change as a result of taking this course of action. This would provide a degree of stability but should be considered alongside the alternative options outlined in this section of the report in particular in respect of the overall financial position of the authority and potential drivers for change.

5.2.3 Potential Risks

- Although short term savings will be realised there is a risk associated with the ability to achieve Medium term savings from within Revenues and Benefits and in respect of savings which it is been assessed as being deliverable from the overarching ICT arrangements by taking this approach and as a result there are currently no guaranteed savings that can be made over and above the savings already identified in the BT programme.
- In order to meet the challenges presented to HBC as a result of the spending review it is likely that additional cuts will need to be made from

within Revenues and Benefits over the next 12 months in order to help address the continuing deficit position. Whilst there are some options in respect of achieving these given the nature of the service and its current resource base these cuts are likely to come in the form of headcount reduction which will place significant pressure on the quality of the existing service and staff delivering these services.

- The stability and resilience of the service will be severely jeopardised as a result of the need to continue to make savings and without a fundamental change in the delivery model it is anticipated that this will become untenable within the next 24 months
- The government has already announced a number of legislative changes that will have an impact on the future delivery of services across all Local Authorities. In particular the Welfare Reform Bill announced late 2010 is set to have a significant impact on benefits with the introduction of universal credit in 2013 through to 2017. This is likely to affect thousands of public sector roles across the country as responsibility shifts to the DWP. This will ultimately place greater pressure of the quality of service and cost of service by retaining the service in-house. At this stage it is not clear whether current staffing will be afforded any protections should these arrangements change nationally.
- There is a potential 12 month window of opportunity for the Council to work with both the private sector and public sector to be at the forefront of legislative changes and alternative methods of delivery in order to shape future direction.

5.3 Create Shared Service model with another Local Authority

5.3.1 The Council could seek to establish a shared service arrangement with another Local Authority/ies for back office functions with a particular emphasis in the first instance on Revenues and Benefits with the potential to share ICT services across other public sector organisations from October 2013 at the end of the current ICT contract.

5.3.2 Potential Benefits

- By joining forces with another Local Authority for back office functions the Council will be able to better ensure the resilience of the current service.
- There are some potential that savings would be achieved over and above the current BT programme which would benefit the Council in line with its Medium Term Financial Strategy, although the quantification of these and their timescales cannot be established at this stage.
- If such a joint arrangement were to be located in Hartlepool this would retain jobs locally with the ultimate potential to consider developing this employment base further. Any such development would be beneficial to the broader local economy and is also covered in other options as being potentially beneficial.

5.3.3 Potential Risks

- At present there are a number of shared service initiatives across local government all of which are diverse in nature and as has been discussed with Cabinet previously require continued agreement from all concerned. There is no current agreement to pursue such an option and as has been seen reaching such agreement is problematic, in particular in terms of governance and lead authority, and time consuming and would result in a significant delay in implementation and is unlikely to achieve the savings requirements for the 2012-13 budget.
- Although opportunities will exist within the region for shared services and in particular back office shared services, the costs and time associated with the need to integrate ICT infrastructures and transform services in order to drive out cost savings is considered to be counterproductive to the savings that can be achieved.
- There is the potential that by adopting a shared service approach especially in Revenues and Benefits that the recent announcement of the Welfare Reform Bill and the fact that as a result of Universal Credit, the majority of the Benefits service will be transferred to the DWP by 2017 will result in a significant risk to both current staff and the future delivery of these services in Hartlepool.

5.4 Create shared service approach via a Regional Business Centre model with a Private Sector partner

5.4.1 The Council would, via an OGC Buying Solutions process, appoint a suitable partner who would deliver ICT services and Revenues and Benefits Services via an outsourced arrangement. In addition there will be the capability for the Council to look at other back office functions where a shared service may be applicable under this arrangement. Through any procurement route any appointed partner will be expected to assume full risk for set up and ongoing delivery of the services and projected savings over the term of the contract.

5.4.2 Potential Benefits

- Research has suggested that there are potentially considerable savings on the current costs of delivery to be achieved through the adoption of this route.
- A guaranteed level of savings for the Council will be delivered over the term of the contract enabling surety and certainty in the Council's budget planning. It would be expected that any private sector partner will take on all of the risk associated with the delivery of these savings and there would be a transfer of risk to the appointed partner associated with future delivery of the service to ensure guaranteed service levels, service quality & resilience.
- The management of the impact of Universal Credit and its associated risks will be transferred to the private sector partner to manage. A private sector partner will be required to handle these requirements and any associated delivery arrangements in agreement with the council.
- It would be expected that the private sector partner will invest in the Hartlepool area enabling economic re-development, job retention and growth and a partnership would also provide the opportunity to deliver

future revenue streams for the Council for additional business brought into the shared service arrangement.

5.4.3 Potential Risks

- As with any potential change there are a number of potential risks and uncertainties. It is important that in determining the arrangements for the provision that the authority is clear in respect of the outcomes it expects and any core / key requirements in this delivery. It is not appropriate for the authority to determine to a minute level of detail the manner of delivery but there are key performance a delivery assurance that will need to be built into any agreed arrangement.
- Whilst research has been undertaken there is no absolute guarantee that the market will be interested in the delivery of these services. This is highly unlikely but should this be the case it would require the authority to determine alternative plans in these areas.
- Any potential change will bring with it significant considerations in respect of the mechanisms required to ensure that through this period of change that important services can continue to be delivered effectively to current and prospective clients. It would be necessary through any such change to ensure that adequate arrangements are put in place to ensure this.

5.5 Create a Joint Venture vehicle

5.5.1 Under such an arrangement the Council would set up a joint venture company in partnership with a private sector provider to deliver Revenues and Benefits and ICT services to the Council, and potentially other public sector organisations in the future. Any Joint Venture would have a 50% ownership for each party and would involve appropriate investment from both parties to set up and operate, as well as joint management and governance structures.

5.5.2 Potential Benefits

- The Council would retain partial ownership of services within the organisation allowing a retained influence over the delivery and management.
- Working with a partner within a joint venture arrangement may open up further opportunities to provide services to other Local Authorities

5.5.3 Potential Risks

- The timescale to set up such an arrangement are likely to be significant and as such may not address the Council's savings requirements within the next 24 months. It is unlikely such an arrangement would be launched within the next 18 to 24 months.
- The costs to set up and manage a joint venture are significant and a large proportion is likely to be required by the Council. Additionally, the

Council's own resources required to deliver such a venture may be prohibitive.

- In setting up a joint venture the legal requirements will be substantial and lengthy and is likely to involve significant external legal advice and associated cost.
- The analysis suggests to date there has been limited success across recent ventures in this area. In particular savings initially forecast are generally proving to be overly optimistic. This arrangement provides the Council with no guarantee of savings and in fact may create liabilities in the event of an unsuccessful venture.

6.0 CONCLUSION

6.1 As Cabinet are aware from the report on the 24th January 2011 the authority is only likely to be in a position to manage the budget deficits that it faces through a broad programme of work. As was identified in this overall programme one key area will be in the delivery of a number of identified and agreed projects. Members are well aware of the scale of the challenge in organisational and financial terms and that such a deficit requires consideration of a range of radical and significant changes.

6.2 A range of options and consideration of potential alternatives have been outlined in this report but with regard to these services there are a number of issues which support a competitive procurement of these element of Council activity:

- Preliminary research indicates that significant savings for the Council can be achieved through pursuing, though a competitive arrangement, such a process particularly where this is done in such a way that it is integrated with the complimentary IT infrastructure.
- There are potential benefits to Hartlepool in economic regeneration which the authority would be looking to maximise as part of any arrangement.
- There is significant private sector experience in the delivery of these services on behalf of the public sector so the opportunity exists to benefit from tried and tested best practice established through multiple successful outsourced arrangements.
- Proposed amendments to the national benefits system may result in significant changes to the scale and scope of the Revenues and Benefits services the Council currently provide. The ability to react flexibly to these changes will be important to the Council and this can be catered for in a well constructed contract.
- It is also important to be in a position to effectively manage the risk of any change and the operational impact on the council and the proposed solution manages this as far as would be practicable.
- Statutory protections for current staff would be maximised.

6.3 Consideration of the timescales for the management and delivery of this project, should it be agreed has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

6.4 As a result of this it is proposed that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services which is a framework of providers pre qualified to meet procurement and service requirements.

7.0 **RECOMMENDATIONS**

7.1.1 Cabinet are recommended to

- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

Contact Officer – Andrew Atkin, Assistant Chief Executive
Andrew.Atkin@Hartlepool.gov.uk

CABINET REPORT

8 April 2011



Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – ICT and Revenues and Benefits

SUMMARY

1. PURPOSE OF REPORT

To enable Cabinet to make a decision in respect of the proposed procurement route for ICT and Revenues and Benefits.

2. BACKGROUND

Cabinet have received two reports (on 24th January 2011 and 7th February 2011 – attached as **Appendix A** and **B** to this report) which have identified and provided options and proposed recommendations in respect of the potential benefits from and the procurement route for a revised delivery mechanism for ICT and Revenues and Benefits services.

At the meeting on 7th February 2011, Cabinet determined to refer this matter to Scrutiny for consideration with particular reference to the Revenues and Benefits element. Included on this agenda is a report from Scrutiny Co-ordinating Committee following their consideration of this matter.

2. SUMMARY OF CONTENTS

As has been stated in previous reports the proposals in respect of ICT and Revenues and Benefits have a number of key drivers and requirements identified. These are shown in summary below and in full in the main report;

- Investment in the local economy
- Service Provision and Efficiencies

As was stated in the report to Cabinet on 24th January 2011 an assessment of the procurement options available has been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement.

There are a range of factors which are included in the two appendices which have influenced the proposals which have been brought forward. In order to not restate these in this report they are covered in more detail in **Appendix B** (the report to Cabinet on 7th February in sections 4 and 5).

As has been highlighted in respect of these options previously and in the accompanying report on this agenda it is anticipated that following the proposed route recommended in this report will provide significant savings toward the 2012/13 budget deficit. It is included at this stage as one of the Projects in the revised Business Transformation Programme and has the potential to contribute significantly to the outstanding deficit identified. It is not proposed in this report to restate the scale and difficulty in achieving and delivering plans to bridge this deficit.

A range of options and consideration of potential alternatives have been outlined in this report and previous reports but with regard to these services there are a number of issues which support a competitive procurement of these elements of Council activity:

- Preliminary research indicates that significant savings for the Council can be achieved.
- There are potential benefits to Hartlepool in economic regeneration.
- There is significant private sector experience in the delivery of these services on behalf of the public sector.
- Proposed amendments to the national benefits system may result in significant changes in the scale and scope of the Revenues and Benefits services the Council currently provide.
- Statutory protections for current staff would be maximised.

Consideration of the timescales for the management and delivery of this project, should it be agreed has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

As a result of this it is proposed that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services which is a framework of providers pre-qualified to meet procurement and service requirements.

3. RELEVANCE TO CABINET

The report encompasses considerations in respect of a potential strategy and programme for managing the identified budget deficit for 2012/13 and is therefore within the remit of Cabinet

4. TYPE OF DECISION

Non Key.

5. DECISION MAKING ROUTE

Cabinet 8th April 2011.

6. DECISION(S) REQUIRED

Cabinet are recommended to:

- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

Report of: Chief Executive

Subject: STRATEGY FOR BRIDGING THE BUDGET DEFICIT
2012/13 – ICT and Revenues and Benefits

1. PURPOSE OF REPORT

- 1.1 To enable Cabinet to make a decision in respect of the proposed procurement route for ICT and Revenues and Benefits.

2. BACKGROUND

- 2.1 Cabinet have received two reports (on 24th January 2011 and 7th February 2011 – attached as **Appendix A** and **B** to this report) which have identified and provided options and proposed recommendations in respect of the potential benefits from and procurement route for a revised delivery mechanism for ICT and Revenues and Benefits services.

At the meeting on 7th February 2011 Cabinet determined to refer this matter to scrutiny for consideration with particular reference to the Revenues and Benefits element. Included on this agenda is a report from Scrutiny Co-ordinating Committee following their consideration of this matter.

3. REQUIREMENTS

- 3.1 The detailed scope of services included in any specification is to be determined. It will recognise the importance of high quality front line service delivery continuing, easily available to local people, especially in relation to Benefits and some aspects of Revenues services.
- 3.2 As has been stated in previous reports, and restated here for completeness, the proposals in respect of ICT and Revenues and Benefits have a number of key drivers and the requirements identified. These are shown below:

3.2.1 Investment in the Local Economy

- There is a significant opportunity, that the authority would look to maximise, that through any procurement exercise the identification of options for the development of a model of service delivery which provides for regeneration based in Hartlepool and aligns to the delivery of services at a sub regional and regional basis. We would be looking for a partner to develop and invest in the local economy and detail proposals for future growth and the investment to be made and the benefits to the partnership.
- In addition, we would be considering the extent to which the proposed plans would enable and encourage other public sector organisations to utilise the services established and how this will contribute to future

6.2 Appendix C

growth and development and plans to both retain and develop jobs within the service areas being considered to the benefit of the local economy.

- In addition, we would be considering the extent to which these arrangements are beneficial to the authority in service and financial terms through the potential for inducements such as “gain share” (an arrangement which would provide a direct financial benefit to the authority through any additional work delivered through such an arrangement) and opportunities for further partnership or trading opportunities with the partner working directly with the authority (to the benefit of both organisations).
- It is important to recognise that an important part of any requirement from the perspective of the local authority, in conjunction with a desire to provide additional benefits to the local economy, is to protect the current employment of staff (this is equally the case and would be reflected in the section 3.2.2 ‘Service Provision and Efficiencies’).

3.2.2 Service Provision and Efficiencies

- Any arrangement would be required to combine high quality service delivery with the opportunity for efficiencies in delivery. The OGC buying solutions framework has 12 private sector providers that are prequalified with the OGC Buying solutions for the delivery of such services. The pre-qualification for this frameworks includes assessments of:
 - Technical solutions (innovation, benefits realisation, quality of solution);
 - Commercials (Pricing, Value for Money, Payment profiles); and
 - Service Delivery (Service levels, key performance indicators, Transition).
- Any potential provider would be expected to demonstrate how services will be delivered, to the outcomes that the authority specifies, the service standards and quality frameworks that they will work to. It is important to recognise that the delivery of services may differ from current arrangements but will have to be allied to the outcomes and service standards specified.
- In recognition of the changes and pressures which the authority faces there will be a requirement for any provider to identify both the savings to be delivered against the current cost base, the approach to the risks in delivering these savings and the assumptions made in determining these. Such reassurances provide the authority with a basis upon which to adequately manage overall financial and service risk.
- The external, nationally driven, policy and financial pressures which the Authority is facing will mean that any provider is required to demonstrate how any proposed delivery model and associated costings demonstrate ongoing value for money, service flexibility and flexibility in provision and partnership arrangements to both meet the

6.2 Appendix C

authority's ongoing transformation agenda and external pressures, drivers and national policy changes.

- Particular consideration will need to be given to how any provider will review and improve provision over the course of the agreement with particular reference to considerations around the effects of universal credit and provision.

3.2.3 As was stated in the report to Cabinet on 24th January 2011 (**Appendix A**) an assessment of the procurement options available has been considered in respect of the extent to which these routes provide for robustness, the ability and necessity to demonstrate Value for Money and their delivery of a legally secure arrangement.

4. ISSUES INFLUENCING THE PROPOSALS

4.1 There are a range of factors which are included in the two appendices which have influenced the proposals which have been brought forward. In order to not restate these in this report they are covered in more detail in **Appendix B** (the report to Cabinet on 7th February in sections 4 and 5).

5. FINANCIAL CONSIDERATIONS

5.1 As has been highlighted in respect of these options previously and in the accompanying report on this agenda it is anticipated that following the proposed route recommended in this report will provide significant savings for the 2012/13 budget deficit. It is included at this stage as one of the Projects in the revised Business Transformation Project and has the potential to contribute significantly to the outstanding deficit identified. It is not proposed in this report to restate the scale, risk and difficulty in achieving and delivering plans to bridge this deficit.

6. CONCLUSION

6.1 There are no easy solutions to the problems which are facing the Council. The proposals in respect of ICT and Revenues and Benefits provide a number of opportunities, as covered in this and previous reports.

6.2 A range of options and consideration of potential alternatives have been outlined in this report but with regard to these services there are a number of issues which support a competitive procurement of these element of Council activity:

- Preliminary research indicates that significant savings for the Council can be achieved.
- There are potential benefits to Hartlepool in economic regeneration.
- There is significant private sector experience in the delivery of these services on behalf of the public sector.

6.2 Appendix C

- Proposed amendments to the national benefits system may result in significant changes to the scale and scope of the Revenues and Benefits services the Council currently provide.
- Statutory protections for current staff would be maximised.

6.3 Consideration of the timescales for the management and delivery of this project, should it be agreed has been assessed and is capable of delivery (and any potential savings realised) for the 2012/13 budget.

6.4 As a result of this it is proposed that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services which is a framework of providers pre qualified to meet procurement and service requirements.

7. RECOMMENDATIONS

7.1 Cabinet are recommended to:

- Agree that a procurement exercise is commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

8. CONTACT OFFICER

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Cabinet – 23 May 2011

6.2 APPENDIX D

Revenues and Benefits – Opportunities for working with neighbouring authorities

Cabinet Minute 212, 8 April 2011

“..... The Mayor commented that there was a tight timescale involved in considering the future provision of these services therefore the options for the provision of the Benefits Service needed to be investigated further, but quickly.

- *Retention of current arrangements;*
- *Creation of Shared Services model with another local authority;*
- *Creation of shared service approach via a Regional Business Centre model with a private sector partner; and,*
- *Creation of a Joint Venture Vehicle.*

“The Mayor considered that the option for a shared service model with another local authority for example could be addressed very quickly.

“Decision

That further investigation of the following options be undertaken and reported back to Cabinet at the earliest opportunity

- (iii) *Other local authorities be approached quickly about what opportunities there are for working together.”*

Redcar and Cleveland

During the course of the above meeting, Councillor Payne reported to Cabinet his recollection of a conversation with Councillor Dunning, Leader of Redcar and Cleveland Council. Briefly, he stated that Redcar’s contract with an external company to run their revenues and benefits service was coming to an end, and that they would like Hartlepool to take it over and run it. It was agreed that I would arrange for the two Cabinets (and chief executives) to meet as soon as possible to further discuss this offer.

I made contact with Councillor Dunning’s office and provisionally arranged for our Cabinets to meet on Friday, 13 May. This was pencilled into our diaries. Subsequent contact revealed that Redcar consider such a meeting to be premature, for the following reasons:

1. With all out elections on 5 May, Councillor Dunning was not sure if he would still be a councillor and/or Leader;
2. If still Leader, he would not have finalised the composition of his Cabinet by 13 May;
3. Redcar’s external contract does not end until 2013;
4. His recollection, and that of his deputy leader, of the conversation with Councillor Payne, is that they were discussing shared services as a whole across the Tees Valley, and how they might operate in the future, rather than Redcar’s Revenues and Benefits Service.
5. Councillor Dunning is keen to avoid a perception by the other three Tees Valley authorities that we are trying to jump the gun in relation to Tees Valley wide shared services, if our two Cabinets meet, but he is willing for he and his deputy to meet with Councillor Payne and myself to discuss the general position.

Cabinet – 23 May 2011

I conclude that there is no opportunity for Hartlepool to take over the running of Redcar's Revenues and Benefits Service until 2013, the year in which new housing benefit claims will cease and subsequent claims will be taken on by Universal Credit, and that there is no opportunity for Cabinets to get together to discuss this specific issue, in the foreseeable future.

Darlington

We are very interested in exploring the scope for either a partnership approach or indeed a joint procurement exercise. We are sure that there is gain to be had from volume. However we may have a problem with timing as we cannot easily see a way to separate that out from the broader Council Collaboration study we are currently doing. Is it possible to defer your work and wrap it up into the broader study? We will also need to assess the implications of the creation of Universal Credit.

Middlesbrough

"Middlesbrough's Revenues and Benefits Service is managed under contract by Mouchel. The contract does not end until 2016, which takes us past the expected start date for Universal Credit (2013) and the non-acceptance of new housing benefit claims. Unfortunately we are precluded from entering into any partnerships for these services at the present time, due to the wording of our original OJEU Notice and the subsequent contract, but you might wish to consult with Mouchel as they may be interested in your services."

Stockton-on-Tees

We have spent recent years challenging these in house services (including a peer review) to ensure they are performing at a highly efficient and low cost level. Any next reconfiguration will be linked to the national credit introduction and the national computer system. Other higher cost areas are our priority given limited capacity.

Stuart Drummond
Mayor of Hartlepool

MINUTE EXTRACT

CABINET

MINUTES AND DECISION RECORD

23 May 2011

The meeting commenced at 9.15 am in the Civic Centre, Hartlepool

Present:

The Mayor, Stuart Drummond - In the Chair

Councillors: Jonathan Brash (Performance Portfolio Holder)
Robbie Payne (Deputy Mayor) (Finance and Procurement Portfolio Holder),
Gerard Hall (Adult and Public Health Services Portfolio Holder).
Hilary Thompson (Culture, Leisure and Tourism Portfolio Holder),

Also Present: Councillor Jane Shaw, Chair of Adult Services Scrutiny Forum
Councillor Stephen Thomas, Chair of Neighbourhood Services Scrutiny Forum
Councillor Ray Wells
Edwin Jeffries, Hartlepool Joint Trades Union Committee

Officers: Paul Walker, Chief Executive
Andrew Atkin, Assistant Chief Executive,
Chris Little, Chief Finance Officer
Tony MacNab, Solicitor
Joanne Machers, Chief Customer and Workforce Services Officer
Nicola Bailey, Director of Child and Adult Services
Danielle Swainston, Sure Start, Extended Services and Early Years Manager
Dave Stubbs, Director of Regeneration and Neighbourhoods
Damien Wilson, Assistant Director, Planning and Regeneration
Graham Frankland, Assistant Director, Resources

Alistair Rae, Public Relations Manager
Joan Stevens, Scrutiny Manager
Elaine Hind, Scrutiny Support Officer
David Cosgrove, Democratic Services Team

246. Strategy for Bridging the Budget Deficit 2012/13 – ICT, Revenues and Benefits Services (Chief Executive)

Type of decision

MINUTE EXTRACT

Non-key.

Purpose of report

To enable Cabinet to make a decision in respect of the proposed options available in respect of ICT and Revenues and Benefits services and their contribution to addressing the budget deficit in the available timescales.

Issue(s) for consideration by Cabinet

The Performance Portfolio Holder reported Cabinet have received three reports (on 24th January 2011, 7th February 2011 and 8th April 2011) which had identified and provided options and proposed recommendations in respect of the potential benefits from and the procurement route for a revised delivery mechanism for ICT and Revenues and Benefits services.

At the meeting in February 2011, Cabinet determined to refer this matter to Scrutiny for consideration with particular reference to the Revenues and Benefits element and the report from Scrutiny Co-ordinating Committee was considered on 8th April 2011.

Cabinet agreed on 8th April that further investigation of the following options be undertaken and reported back to Cabinet at the earliest opportunity taking account of the timescales required for identifying the future of the services in question and the recommendations of the Scrutiny investigation reported earlier in the meeting: -

- (i) A procurement exercise is undertaken using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.
- (ii) Scrutiny Co-ordinating Committee's recommendations for Revenues and Benefits Services would be considered as part of whichever delivery option is chosen.
- (iii) Other local authorities be approached quickly about what opportunities there are for working together.
- (iv) Early stages of testing the market, as part of the procurement process, would be undertaken.
- (v) The options and implications of a joint venture vehicle be researched.

Additionally the recommendations of the Scrutiny Coordinating Committee's review of the proposals for the provision of the revenues and benefits service, as referred by Cabinet on 7 February 2011, were noted and utilised to inform the process of the development of the strategy for bridging the budget deficit in the ICT and Revenues and Benefits services for 2011/13.

The Mayor reported that discussions had been held with the other Tees Valley authorities on the potential for working together. These had not proved fruitful as the other authorities were not at the same stage and had differing needs. There had been comment that they would be looking to achieve savings as well from any arrangement.

There was extreme concern expressed by one Cabinet Member that the potential for joint working had not been explored further than the four Tees

MINUTE EXTRACT

Valley authorities. The proposal also did not contain any projected savings or a business case for the proposed procurement exercise.

The Chief Executive assured Cabinet that no agreement would be entered into unless there were definable savings for the authority. Any contract with an external company would be designed to build upon the high level of transferable skills in the current staff.

The Mayor referred to the letter submitted by the Hartlepool Joint Trades Union Committee and stressed that in his opinion the fundamental driver behind this process was to protect as many jobs in Hartlepool as was possible. These service areas could not be isolated from the budget cuts and outsourcing was not something that we would want to do as a matter of course. However, the Government's changes to benefits and the introduction of the Universal Credit were going to have a major affect in any event. Bringing a contractor in to utilise the skills of the current staff in developing a regional hub for this type of work had to be seen as a positive.

Cabinet discussed the issues surrounding the utilisation of the OGC Buying Solutions Framework. The Assistant Director, Resources stated that advice had been taken from OGC Managers on the utilisation of the ICT framework for Revenues and Benefits. Independent legal advice had also been sought and later in the debate, members requested that a copy of the advice be circulated to Cabinet. Again a Cabinet Member expressed deep concern at using the list proposed which was not a specialised Revenues and Benefits list and didn't contain some of the companies that could be anticipated to undertake this kind of work. The member indicated their opposition to the recommended proposal to enter into a procurement exercise. Legal advice was also sought on the involvement of senior officers of the authority that had been involved in endorsing the service of one of the companies on the list.

The Trades Union representative was invited to comment further on the letter submitted by HJTUC. The representative indicated that the unions shared concerns in relation to the use of the OGC Buying Solutions Framework and that they were minded to challenge the procurement process.

In concluding the debate, the Mayor indicated that the legal advice sought on the process should be shared and revisited to ensure that the proposed procurement exercise route was strong enough to resist challenge. In seeking the views of the Cabinet Members present (Councillor Payne having left the meeting) on the recommendations, there was an unanimous indication of support.

Decision

That a procurement exercise be commenced using the OGC Buying Solutions Framework for ICT and Revenues and Benefits services.

MINUTE EXTRACT

The meeting concluded at 11.25 a.m.

P J DEVLIN

CHIEF SOLICITOR

PUBLICATION DATE: 31 May 2011

Hartlepool Borough Council



Overview and Scrutiny – Call-in Notice – Scrutiny Chairs

1. Which decision would you like to call-in?

(Please include details of the decision, when it was taken and by whom)

Cabinet decision on Monday 23rd May 2011

Strategy for bridging the budget deficit 2012/13 – ICT, Revenues and Benefit Services

Procurement exercise be commenced using the OGC Buying solutions framework for ICT and Revenues and benefits services. Minute 246

2. What are the reasons for calling-in this decision?

Call-in must only be used in exceptional circumstances and the justification for the call must be either: Please tick as appropriate

- that the decision was not taken in accordance with the principles of decision making set out in Article 13 of the Constitution

- vi) a presumption in favour of openness; At the time of the referral to SCC it was made clear that we were not to look at possible IT Solutions nor were we informed that the major outcome required by Cabinet was a budgetary saving of £30,000.
- vii) clarity of aims and desired outcomes; Cabinet failed to inform SCC of the desired budgetary savings or the intention to seek an IT based solution
- xii) reasonableness; It is not reasonable to place a large number of front facing staff at risk, when there are clear alternatives, especially when the DWP may remove this work from Local Authorities in the next 2 years.

Councillor	Position and Party Group	Signature
1. M. A. JAMES	SCC CHAIR - LABOUR	
2. R. WELLS	MEMBER OF SCC – LEADER CONSERVATIVE GROUP	
3. C. SIMMONS	CHAIR OF CHILDRENS SCRUTINY/ LEADER LABOUR GROUP	

NB. Each of the Scrutiny Chairs may initiate call-ins providing they have the support of at least two members of the Scrutiny Co-ordinating Committee. The three signatories must represent at least two of the Council's political groups.

Councillor: *M A James*

Signed: *M A James.*

Date: *6/6/11*

For office use only

Date received:

Initials:

SCC Agenda: