

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE – 5 APRIL 2006

Report of Strategic Director (Shirlene Adam)
(This matter is the responsibility of Executive Councillor T Hall)

IMPROVING SERVICES IN SOMERSET (ISiS) – BUSINESS CASE UPDATE

EXECUTIVE SUMMARY

This report presents an updated Outline Business Case for the ISiS project, and requests approval from the Executive to proceed to the next stage of the procurement process.

1. Background

- 1.1 The ISiS programme is a major element of Taunton Deane Borough Council's strategy to meet the challenges that face it and the citizens of the borough in the 21st century.
- 1.2 In September 2005, the Executive considered the Outline Business Case for the ISiS project and agreed to commence the procurement process. The Official Journal of the European Union (OJEU) notice for ISiS was issued in December 2005 and, in addition to the founding partners of Taunton Deane Borough Council and Somerset County Council, included a further 22 signatories, drawn from a wide range of public bodies in the South West area. These organisations if they choose will be able to benefit from the services delivered by the partnership and will be able to contract directly with the partnership company without any further recourse to a procurement process. This has made the ISiS project extremely attractive to the commercial sector and has been reflected in the quality of submissions received to date.
- 1.3 Since September, the project team has been progressing a number of workstream areas including:
 - a Further option appraisals work
 - b Developing baseline documentation and output specifications
 - c Refining the business case and affordability model
 - d Approaching the market and eliciting / evaluating submissions from potential partners
 - e Engagement with key stakeholders, including staff, trade unions and other signatories to the OJEU Notice.

2. The Update

2.1 It is proposed that a short presentation be made to the Executive meeting on 5 April, to cover the following areas:

2.2 Overall Progress

The procurement process is progressing well and the presentation will cover any emerging issues. We will also be able to report to the Executive any issues raised by the Political Groups in their briefing sessions during March.

2.3 The Outline Business Case

In view of the commercial confidentiality of some aspects of the financial modelling, we will not be able to disclose the full contents of the Outline Business Case (OBC) with the Executive. An overall summary of the financial modeling process is however included. Both Councils have agreed a confidentiality protocol with the Members of the Joint ISiS Panel (copy attached at Appendix A), and the Executive will see that those Members will be aware of the full detail.

The presentation to the Executive will cover movements and developments in the OBC and will provide assurances that the OBC is robust. In addition our financial advisors, KPMG, are satisfied that the OBC supports proceeding to the next step of the procurement process (Appendix B).

A copy of the latest OBC containing the financial summary is attached at Appendix C.

2.4 Selection of the Shortlist Bidders

It is important that we not only follow due process in the bidder selection, but also that we select the bidders who are best able to partner us. In the presentation we will outline how we approached the shortlisting process and selected our bidders.

2.5 Options Appraisal

The presentation will cover the options appraisal work undertaken with PA Consulting, and will explain why strategic partnering continues to be the best option.

3. Consultation

3.1 Staff and Union consultation continues to be an important element of our engagement strategy. To date the majority of work has been undertaken with the staff who are deemed in scope of the partnership.

3.2 However, if successful, the partnership will touch upon all other areas of the Council and the move to shortlisting stage is an appropriate time to reinforce the message that ISiS is about council-wide transformation.

3.3 Clear engagement strategies with key stakeholders and clients are now a priority. Further external consultation will continue and accelerate—particularly with those organisations, which have key interfaces with the services within the scope of ISiS (eg schools). National and local developments in the health and social care will also need to be followed closely.

4. Financial Implications

4.1 Whilst these are covered in principle in the OBC, the Executive will need to consider the implications of the changes to the affordability model and these will be covered in the presentation.

5. The Local Government Agenda

5.1 Whilst any announcements relating to Local Government Review may cause a certain amount of turbulence in the sector, our position clearly asserts that the ISiS programme is an important driver for change that transcends structural reform. However, it is prudent to bear in mind that full scale reform may impact on our ability to drive business growth in the partnership in the short to medium term.

6. Recommendations

6.1 The Executive is requested to note the most recent outline business case (OBC) and to agree to proceed with the procurement process to secure a private sector partner for a strategic service partnership.

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Background Papers:-

Executive 24 May 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 22 June 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 20 July 2005 – “Joint Venture Arrangements For Corporate Services”

Executive 24 August 2005– “Joint Venture Arrangements For Corporate Services”



ISiS Programme

Joint Members Advisory Panel

23rd February 2006

Confidential Protocol (2)

Introduction

The Panel has already agreed a confidentiality protocol covering the overall arrangements for ensuring we achieve a reasonable balance between meeting the contradictory needs of confidentiality versus public accountability. This paper sets out some further thoughts for the Panel's consideration.

The Panel's Responsibilities

We have set out overall governance arrangements for the commissioning of the ISiS Programme. Within these the Panel is expected to give policy advice to steer the programme so that it meets members' expectations. Executive or Scrutiny Committees cannot easily give this advice because their meetings are open and are not necessarily safe places to discuss commercially confidential information. Therefore those committees will be expecting the members' panel to review any commercial information provided that is considered to be confidential.

The Business Case

Our view is that it would now be appropriate to treat the detail of the Outline Business Case as commercially confidential. We will report any significant variations in the OBCs to committees but not disclose the detail as this will be information that we would not want to disclose to bidders. The Panel will be briefed on the OBC of course, and the Committees will be able to rely on the advice given by the independent financial advisers.

The Negotiated Procedure

At a later stage of the process we will be evaluating bids and negotiating improvements. Here it is vitally important to maintain confidentiality. It is likely that only the lead negotiators will hold the detail of the bids although the Panel and the Joint Programme Board will set the overall negotiating position to be taken. The Bidders will expect the negotiators to be fully empowered to act on behalf on the councils.

Conclusion

Panel members are asked to consider this note and to agree to its content so that appropriate processes can be put in place.

Chris Bilsland
Corporate Director – Resources
Somerset County Council

20th February 2006

APPENDIX B

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Our Ref pk/mt

10 March 2006

Dear Sue

Financial feasibility of the ISiS Partner Procurement

Further to our recent discussions, as promised, this letter sets out our initial views on the work that has been undertaken so far with regard to the above work and more generally, the procurement strategy being followed by ISiS.

Overview

It is our view that the overall approach adopted by the Councils to date is sensible and we believe that it includes the key elements of a sound procurement process required for a project of this size and complexity.

In particular we note the following positive features:

- the use of formal governance and project management structures;
- the undertaking of an appraisal of potential options, as advised upon by The 4Ps, including a Gateway 0 review of the initial Outline Business Case for the project;

- the development of a joint OBC for both Councils; and
- the use of an OJEU negotiated procedure including the proposed 'pre-ITN' stage to discuss the scope and direction of the process with a shortlist of bidders.

Financial Feasibility

With regard to the financial appraisal work undertaken so far, we are aware that this has mainly concentrated on a number of key tasks:

- establishing current budgets and costs for in-scope services (i.e. the affordability envelope);
- considering the potential level of efficiency savings that may be available for in-scope services;
- undertaking an initial assessment of the level of investment that might be required; and
- the estimation of a level of return that may be required by a private sector partner.

The specific assumptions that have been made in assessing the potential for investment, as detailed in the Outline Business Case (6 March, Draft 12), do not appear unreasonable when compared to other projects of this type in the last 2 to 3 years. Specifically these assumptions are:

- the required level of return by the private sector (expressed as an Internal Rate of Return);
- efficiency savings that may be achievable; and
- the partnership / contract length

It is recognised that work is currently on-going with regard to the further development of the OBC, including further consideration of areas such as key outputs required, the impact of headcount reductions and the level of investment that may be required to deliver the proposed output specifications. This work will further enhance the Council's ability to assess the feasibility and affordability of the project.

Conclusion

The ultimate feasibility of a procurement of this type is influenced by a range of factors, many of which are impossible to accurately assess at this stage of the process. These typically include:

- the bidders appetite to work with the Councils;
- their assessment of the risk of the project and commitment to make the changes required;
- the innovation and creativity of specific proposals formulated by bidders;
- market conditions at the point that bids are prepared and submitted and subsequently during the negotiation process; and
- the results of detailed bidder due diligence when specific assumptions made by both the Councils and bidders are fully explored and validated.

As such, it is not possible to offer any guarantees on the likelihood of successfully completing the procurement process or operating a successful partnership thereafter. However, there is a relatively well established path for the creation of deals of this type and therefore, provided that the Councils maintain a focused, commercial view of the project, there is every chance that the procurement can be concluded successfully.

At this point therefore, we do consider that it is sensible to continue work on the procurement, including further development of the OBC, with a view to approaching the market with an Invitation to Negotiate document in mid-2006. With this in mind, to enhance the likelihood of success for the project, we recommend that the following activities are undertaken:

- continued development of the OBC, including further consideration of areas such as key outputs required, the impact of headcount reductions and an initial assessment of the level of investment that may be required to deliver the proposed output specifications. This work will enhance the Council's ability to assess the feasibility and affordability of the project;
- completion of the draft service specifications prior to engaging in pre-ITN discussions with shortlisted bidders, to maximise the value of those discussions; and
- development of draft requirements around key commercial drivers such as the payment and price-performance mechanism, again to inform preliminary discussions with bidders.

I hope that this is helpful in summarising the current status of the project and our views there on. Please do not hesitate to contact me if you would like to discuss further.

Yours sincerely

Paul Kirby
Partner
KPMG LLP

THE ISiS PROGRAMME
Joint Outline Business Case

Senior Responsible Owners: Chris Bilsland, Shirlene Adam

Version: 14.1
Revised 10 March 2006

March 2006

EXECUTIVE SUMMARY

Introduction

This programme is a collaborative arrangement between SCC and TDBC (the “Councils”). This outline business case represents the overall position of both Councils and its purpose is to set out the justification for the proposed Improving Services in Somerset (ISiS) programme together with identifying the investment in resources necessary to progress the programme through a full market testing. The programme is centred on securing a private sector partner to form a strategic service delivery partnership for the provision of corporate support services and improvements to customer access.

Strategic Case

The programme objectives have been developed and agreed jointly by SCC and TDBC as it is crucial that both Councils share the same vision and expectations as to what the strategic service partnership will achieve.

- **To improve access to and delivery of customer-facing services**
- **To modernise, reduce the cost of and improve corporate, transactional and support services**
- **To help modernise and transform the overall workings of the County Council and Taunton Deane Borough Council**
- **To invest in new world class technologies to improve productivity**
- **To create an excellent working environment and a more sustainable employment future for staff**
- **To generate economic development by attracting a partner willing to invest in Somerset**

These objectives are set against the desire to provide customer focused service delivery, which is efficient and provides value for money for the taxpayer. TDBC’s CPA rating is currently assessed as ‘excellent’. Whilst the SCC CPA score has advanced from ‘fair’ to ‘good’ over the last two years the Council’s aim is to be excellent, and although corporate support services is one part of the whole service it is widely recognised that a transformation in this area will impact across the whole organisation.

The base programme scope is centred on corporate support and transactional services and includes the majority of functions in Finance, ICT, HR, Customer Services and Property Services, Procurement and TDBC Revenues and Benefits, together with elements from Somerset County Services. However, it is our clear intention to select a partner that will be capable of working with us to transform the both councils, including front line services.

Options Appraisal

In developing the OBC we have moved to the use of a single set of evaluation criteria which has been agreed by both SCC and TDBC Steering Groups as the basis for an Options Appraisal.

An updated Options Appraisal has been undertaken by three key stakeholder groups - SCC Steering Group, TDBC Steering Group and the Joint Members' Advisory Panel.

The outcome confirms the conclusion of the original options appraisal undertaken last year that, on balance, partnering is likely to provide the best route for meeting the key objectives of the ISiS programme.

Business Need

Despite the increasingly difficult central government funding regime and increases in council tax, cuts to front-line services have been kept to a minimum and resources have been refocused to ensure corporate priorities have been delivered. Looking forward, both Councils' financial planning models predict a 'funding gap'. Indeed if no changes are made to current ways of providing corporate support services, the financial model shows that over a 15 year contract period the budget gap could be in the region of over £25m. There will clearly come a point in time when it is no longer possible for either Council to deliver quality services, keep council taxes low and avoid serious front-line cuts.

Affordability

The model we have used to assess the affordability of the different options is a complex calculation comprising several different variables. As no information is yet available from prospective partners, the model can only be based on a set of working assumptions. These assumptions will be reviewed and revised as actual figures become available from the short-listed suppliers. Given the outcome of the further work on options appraisal, the model looks at the partnering option only.

Overall a partnering model based on secondment results in the most affordable solution.

Commercial Case

The intention of the ISiS programme therefore is to progress the strategic service partnership route. Contracts of a similar scope, value and desired outcomes to that of our two councils have been signed both in unitary and two tier councils. It is therefore not unrealistic to expect that we can achieve our aims in this way.

Soft market testing had indicated there was a good appetite in the market for a strategic service partnership with SCC and TDBC for the provision of corporate support services and improvements to customer access. The response to the OJEU and submission of the shortlisting documentation, with a total of nineteen companies wishing to be involved either as sole bidders or as part of a consortium, supports the initial interest from the market.

Programme Management

The programme is being managed in accordance with the principles of Prince 2. As the programme is a collaboration between SCC and TDBC and includes a number of programme workstreams it is structured to ensure that all workstreams are co-ordinated through a single programme manager.

The ISiS programme is undertaking the procurement of the partner which commenced with the placement of the advertisement in December 2005. Shortlisting will be completed by the end of March 2006 and selected suppliers will be invited to submit tenders in May 2006. Evaluation of tenders will lead to the appointment of a preferred bidder in October 2006 with the contract award expected in December 2006.

External advice to the programme is being provided by the 4ps (an independent government agency) who have been engaged to carry out formal gateway reviews and a review of the outline business case and will be supplemented by specialist legal, financial and technical support as required. The programme will also be subject to periodical internal and external audit reviews as advised by the Quality Assurance Manager.

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1 INTRODUCTION

- 1.1 This Outline Business Case (OBC) for the Improving Services in Somerset (ISiS) programme builds on the previous separate OBCs endorsed by TDBC and SCC's Executives in September 2005. These were in turn based on the "Vision and Way Forward" Paper presented to SCC's Executive Board in October 2004 and the Joint Venture arrangement for Corporate Services paper presented to TDBC's Executive in May 2005.
- 1.2 These original OBCs identified the future corporate and strategic objectives of SCC and TDBC, and assessed the deliverability and affordability of different business model options for meeting these objectives. This updated, Joint Outline Business Case refreshes the assumptions, evaluations and assessments made in those original OBCs which supported the principle of setting up a strategic service delivery partnership.
- 1.3 The definition of a strategic service delivery partnership is:

'a long-term partnership between organisations that work collaboratively to achieve the authority's strategic aims and objectives for delivering services'
(Strategic Partnering Taskforce, Rethinking Service Delivery, November 2003)

Each Council previously produced its own draft OBC for approval by their respective Executives. This joint OBC represents the overall position of both Councils and develops further the previous separate OBCs. It will be presented to both Executives and will be subject to Scrutiny by both Councils - a cross party "ISiS specific" Members Panel has been in place at TDBC since early last year for this purpose. There are references at appropriate points in the document to joint strategies and joint outcomes. It also identifies any necessary investment in resources necessary to progress the programme through a full market testing.

- 1.4 The benefits of working together are that we will be building on a sound base (under CPA rating TDBC is an 'excellent' council and SCC is 'good'), to maximise economies of scale, provide opportunities for business growth and develop a joint customer access strategy and plan.

This OBC is intended to be an evolutionary document in that it will continually be reviewed and updated as new information and data becomes available.

2. BACKGROUND

2.1 The “Drivers” for ISiS

The following paragraphs summarise the driving forces and influencing factors that have led to the development of the ISiS Programme.

2.2 Customer Access

Both councils have ambitious plans to radically improve the way customers can access our services. Our original business cases set out our joint aspirations to reach and serve more people in more ways, in more places, and at more convenient times than ever before.

The Audit Commission has set criteria on achieving excellence in customer access. These relate to ensuring that customers have choice, convenience and control in accessing services from the Councils, as follows:

- Services should be easy to access
- Services should be supported by technology that is appropriate to meet customer needs
- The Councils should respond to customer feedback and complaints to improve service quality and access to services
- The Councils should use partnership working with neighbouring councils, organisations and businesses to continually improve access to services
- Council services should focus on the whole community
- Council services must ensure equality of access and take proper account of equality and diversity of all service users.

In response to this, the councils have developed a joint Customer Access Strategy to deliver service access and excellence in accordance with the Audit Commission aims – this strategy was approved by the Executives in 2005. A key part of implementing this strategy is the development of an action plan for how we achieve the outcomes we desire.

The full version of the strategy is available at: http://www.somerset.gov.uk/council/board3b/2005_July_13_Item_10_Customer_Access_in_Somerset_Strategy_and_Vision.htm.

At present it is clear that to achieve any consistent form of excellence in customer service, significant changes will be required within the Councils. These changes are likely to revolve around:

- Radical culture change to achieve greater customer focus
- Significant staff training
- Detailed consultation involving customers in service redesign
- Significant service redesign
- Breaking down barriers both within each Council and between Somerset County and Taunton Deane councils and other partners
- A thorough review of front line service delivery, focusing in particular on when, where and how we deliver to our customers. It will be vital to undertake a review of property requirements jointly and with other partners
- Increasing the efficiency and effectiveness of our services to enable resources to be redirected towards excellent service delivery

If we are to achieve our ambitious aims in this area, significant skills and resources will be needed hence the need to release resources from the 'back office' to deliver on our ambitions for the 'front office'. It is the intention of the Councils that investment secured through the ISiS programme will be targeted at improving customer access through the introduction of enabling technology, an improved property infrastructure and, most crucially, supporting the transformation and reconfiguration of front line services. Ultimately this will mean improvements throughout Somerset for the benefit of all Somerset residents and will require close working with all Somerset District Councils.

2.3 Gershon review

- 2.3.1** The Gershon agenda requires local authorities to deliver efficiency savings of a cumulative 7.5% over a three year period commencing 2005/06. This is a new requirement in addition to producing a balanced budget based on challenging financial settlements

2.4 Funding gap

Looking forward, financial planning models predict the 'funding gap' will continue and indeed grow. Front line services have previously suffered cutbacks as a result of funding shortfalls and it is clear that in order to protect these services from further reductions, radical changes need to be made in the way these services are supported from the "back office".

If no changes are made to current ways of providing corporate support services the Councils predict that over a 15 year period the budget gap could be in the region of some £25m. There will clearly come a point in

time when it is no longer possible to deliver quality services, keep council taxes low and avoid serious front-line cuts.

2.5 Transformation agenda

The Councils have no wish to see the quality of services diminish over the coming years, in fact they want them to improve and, in addition, want to deliver customer access improvements. Equally it is unlikely that the public will be willing to accept large increases in council tax bills to pay for this.

Central government, in its Gershon review, has issued some outline guidance on how local authorities should tackle this funding problem. The guidance suggests that authorities should look to reduce the cost of support services in order to continue to fund front line services. Local authorities should be streamlining back office functions as well as reducing transaction costs by introducing modern technology.

2.5.1 Somerset County Council has made some progress towards this by:

- Implementation of Somerset Direct
- New HR Payroll system
- Upgrades to financial system and introduction of procurement modules
- Implementing a procurement strategy

Taunton Deane Borough Council has made some progress towards this by:-

- Authorising the procurement of new systems for Revenues and Benefits;
- Setting aside funding for the future procurement of a new Financial Management System.
- Implementing some e-govt projects (scanning, web services).
- Creation of the Internal Audit Partnership.
- Introduction of Document Image Processing in Revenues and Benefits
- Implementing Somerset Direct

2.5.2 It is clear that it is necessary to go much further. We need to be much more customer focused in our service delivery, we have to reduce duplication by the joining up of services and we need to work with other authorities where efficiencies can be made. All of this will require significant skills in business process re- engineering and investment in best of breed technology. If we are to take this seriously, we will need some help in delivering this – the Councils do not currently possess the

experience, skills, capacity or resources to deliver this level of strategic change on their own.

3. “ISiS” the Aims and Objectives

3.1 Introduction

The original OBCs outlined and addressed the above pressures in more detail. We know we cannot address these pressures satisfactorily within our current resource and skills base; nor do having “Excellent” and “Good” CPA ratings (in themselves) change the impact of these issues on our councils. This analysis led to both Councils’ Executives giving approval in September 2005 to explore a joint approach to developing the ISiS programme, which has been seen by both councils as a potential solution to the above issues.

3.2 The “ISiS” Vision

The ISiS vision is to transform both Somerset County Council and Taunton Deane Borough Council into strikingly modern and progressive organisations capable of delivering high quality local services across Somerset through excellence in customer experience.

3.3 Better for Less

A specific aim of the programme is to deliver ‘better for less’. Our aspiration is that this programme will provide an improved service for customers that can be quantified in measurable terms and will make a significant contribution to future efficiency savings targets. For SCC, for example, the savings required by the Gershon review for 05/06 are already secured but further savings targets of £6.6m will be required in 06/07 and again in 07/08. Whilst this programme will not provide a significant contribution to the Gershon targets as it is unlikely to commence until Spring 2007, it will release efficiency savings in future years.

3.4 ISiS Programme Objectives and Benefits

The following table sets out the joint objectives for this programme, which have been developed and agreed by the Joint Programme Board. These objectives link closely to and are derived from the two councils’ corporate strategies – in particular core aim 8 (priorities 23 and 24) of SCC’s strategy, and aims 1 and 6 of TDBC’s strategy.

Objective	The End Goal	The Culture
To improve access to and delivery of customer-facing services	<ul style="list-style-type: none"> • Customers experience real excellence in both access to and provision of service, through ways which best meet their needs • Customers have a choice of how they access services with 90% of service enquiries resolved at initial point of contact • Customers experience excellence through personalized and localised services, including through local 'hubs' – eg village halls/ 'clubhouse' model 	<ul style="list-style-type: none"> • Customer driven and customer focused (not inward looking) • We get it right first time, every time
To modernise, reduce the cost of and improve corporate, transactional and support services	<ul style="list-style-type: none"> • Integrated support services and transactional services which meet the precise needs of front line services and represent Industry best practice across whole organisation – • 'Better for less' 	<ul style="list-style-type: none"> • Flexible (not bureaucratic) • Open and inclusive • Information sharing • Continually improving • Multi-skilled • Process efficient • Cross fertilisation
To help modernise and transform the overall workings of the County Council and Taunton Deane Borough Council	<ul style="list-style-type: none"> • A refreshingly modern organisation that puts the needs of customers first and delivers services in the most effective way • A market leader partner 	<ul style="list-style-type: none"> • Delivery focused, (not service led) • Innovative and challenging • Accessible and flexible • National /International reputation • A UK HQ?
To invest in new world class technologies to improve productivity	<ul style="list-style-type: none"> • Open new markets • Investment in: <ul style="list-style-type: none"> ➢ £££s ➢ People <ul style="list-style-type: none"> ○ Skills ○ BPR ➢ ICT ➢ Buildings 	<ul style="list-style-type: none"> • Able to diversify and expand to incorporate new business
To create an excellent working environment and a more sustainable employment future for staff	<ul style="list-style-type: none"> • A Somerset business centre based in Taunton Deane providing excellent support services to public authorities in Somerset and across the Region 	The best employer around (not just the local choice)
To generate economic development by attracting a partner willing to invest in Somerset	<ul style="list-style-type: none"> • Economic regeneration, investment and employment opportunities 	A culture of compromise in control and support to the partnership which may challenge some areas of public sector ethos

- 3.5** The OBC is predicated on the premise that investment attracted through the ISiS Programme will deliver the councils' joint objectives. Both councils recognise however that, at this stage the objectives and goals described above are aspirational and articulated at a strategic level – these will need to be developed further so that their achievement and level of success can be properly measured. This further work will be completed by the ITN (Invitation to Negotiate) stage of the procurement process.

4 STRATEGIC CONTEXT FOR CHANGE

4.1 Customer Focused Service Delivery

- 4.1.1** Service improvement has always been high on the Councils' agendas. The previous OBCs for TDBC and SCC set out in detail the current position, and the current challenges in respect of customer satisfaction levels. However, service performance is not just about a range of services delivered in a timely fashion – it is also about the way in which those services can be accessed, the manner in which they are delivered and the quality of the interaction between the customer and the Councils' representative.
- 4.1.2** Traditionally, even 'high performing' councils have experienced a disconnect between measures of service quality and subsequent public satisfaction with council services. The reasons underlying this are, undoubtedly, complex but one explanation potentially lies at the heart of the way in which public services are traditionally devised, organised and delivered in England and Wales – with diverse national initiatives being funded and monitored by Whitehall through increasingly numerous and complex funding streams. These initiatives are then interpreted within a local context and are at risk of being delivered through equally silo-based delivery units within local councils. The effect of this policy mosaic means that generally the whole is less than the sum of its parts and that funding and delivery routes drive the 'customer experience'. Whilst this fragmentation is partially being addressed through 'joined-up' national policy – for example the series of publications around the future Children's Services – this 'whole service' approach needs to be mirrored throughout the range of public facing services.
- 4.1.3** In our quest for excellence in Somerset, we are determined to transform the customer experience – which means customer-facing services being configured in a way which meets the needs of the service recipients – not simply delivering services in ways that are convenient for local government organisations. This determination to improve customer focus also means rethinking the way in which we provide access to services

and information and, more generally, the way in which we interact and serve our customers.

Transforming the customer experience is one of the key strategic objectives of our partnership initiative.

4.2 Efficiency and Value for Money for the Taxpayer

4.2.1 Central government is prioritising the modernisation of local government services with a view to optimising economy and efficiency. The Gershon report and the requirement to produce an Annual Efficiency Statement are pushing local authorities to review provision across the whole spectrum of services provided by local government whilst a number of other targets, including e-government and the National Procurement Strategy, are also driving this agenda. Nine regional Centres of Excellence have been established across England to support authorities and monitor progress against efficiency targets and the CPA process will include an assessment of performance against planned efficiencies.

4.2.2 Whilst SCC is planning that the 05/06 target efficiencies of £6.6m be met without affecting service quality, it will not be possible to meet this target in subsequent years without a radical review and step change in how services are delivered. The recent re-structuring of the County Council is almost complete and has established a new Resources Directorate which centralises support services and will help pave the way to a review of support services. This will provide better services to council tax payers and enable resources to be released to fund front line services.

Providing better value to council tax payers is a key objective of our partnership initiative.

4.3 Organisational Capacity

4.3.1 One of the essential features of public services is the necessity to deal with constant change – much of which is externally driven and is not necessarily within our own control. One of the characteristics of successful modern organisations is the extent to which they can anticipate change, and operate proactively to harness change, for the benefit of their customers and their employees.

4.3.2 Over the last couple of years we have witnessed significant changes in the role and remit of local government – powers to make investments which

benefit the environmental, social and economic wellbeing of our communities, a requirement to work in partnership with other agencies to deliver key services and a strengthened role in community leadership. In short, the expectation is that local government will function in an increasingly sophisticated fashion, that service delivery will be delivered seamlessly to take into account complex individual needs and that the majority of council activity will require multi-functional / multi-agency solutions.

4.3.3 The debate about the nature and form of council services is not the only issue to impact on our future development as an organisation. Whilst the question about regional assemblies has retreated to the backburner, there continues to be concern over the ability of two tier government to respond to the complex agenda described above. Whilst Gershon is likely to increase pressure on two tier structures to share in economies of scale, the evidence is that improvements in vertical integration of service access and delivery are proving elusive, although we have a notable exception to this in the Somerset Waste Partnership. However, the spectre of Local Government Review waxes and wanes and there will undoubtedly be heightened debate and tensions surrounding the Green Paper promised by the ODPM later this year.

4.3.4 The challenge for the two Councils is to develop an organisation that is fit to face the challenges we currently perceive, and fleet footed enough to embrace the challenges we are currently unaware of. This means having a workforce which is resourceful and multi-skilled and which is familiar with modern work practices and partnership working. It also means a work environment which supports the creation of virtual teams, multi-agency working and flatter, more flexible structures. We recognize that the specific skills needed to bring about the business transformation are not adequate and we need an external partner for this.

A key strategic objective for the Councils - and one in which the partnership will play a key role - is the development of a modern organisation which is able to respond flexibly and change its ways of working to meet future challenges and changing needs.

4.4 Workforce Capacity

4.4.1 As in any service-based organisation, the quality of service experienced by customers of Somerset is critically dependent on the skills, ability and motivation of employees within the Councils. As 'excellent' and 'good' councils in CPA terms, most credit is due to our greatest asset, our staff. A number of independent reports have, however, been critical of the ability of the public sector to attract, retain and develop skilled staff. This is most noticeable in vocational sectors, such as social work, and

aspects of environmental health and planning where market premiums are often offered as a way of competing with other agencies. This phenomenon also exists in other professional areas where recruitment is often in competition with the private sector. At the same time, workforce profiles show a significant number of employees nearing retirement and a shortfall of adequately trained, high calibre replacements.

4.4.2 Our two Councils, like many other public sector employers in largely rural settings, face real recruitment and employment challenges. Moreover, the corporate services we provide are not necessarily of the optimum size and, in addition, we duplicate some services provided locally by other authorities.

4.4.3 One of the features of large organisations is the extent to which structures, processes and management hierarchies can impede excellence in service delivery and thus serve to dis-empower staff. The vast majority of employees want to deliver excellent services and it is the responsibility of managers and leaders to ensure that they are able to do so. The transformation of services mentioned above will depend to a large extent on the ability of the Councils to 'clear the way' and act as enablers for staff to do their best for the people of Somerset.

A key objective for the Councils is to empower and equip staff to deliver excellent services – affording individuals development, employment opportunities and career paths which enhance their job satisfaction and future employment options. The development of a strategic partnership is seen as a key strand in delivering this objective.

5. BUSINESS NEED FOR CHANGE

Introduction

5.1 Reference has already been made to central and local priorities, but why should the focus be on support services at this particular time? And, if Taunton Deane has already been assessed as 'Excellent' then why the need to suggest a significant reconfiguration of support services? And, in introducing a change is there a danger of interfering with something that works reasonably efficiently now?

5.2 Generally Somerset County Council support services are highly valued and are judged to be good value by our internal customers (e.g. schools). However, it is impossible at this point in time to demonstrate Best Value. Whilst the Somerset CPA score has advanced from 'Fair' to 'Good' over

the last two years, the Council's aim is to be excellent and, although corporate services is one part of the whole service, it is recognised that a transformation of this section will impact much more widely.

- 5.3** A number of assessments (including CPA) have taken place within both councils over the last 18 months and, whilst being very positive overall, the recommendations made highlight the need for further improvement.
- 5.4** Evidence to support the requirement for improvement is provided, albeit in different ways by the results of the Councils' most recent customer satisfaction surveys. 50% of respondents judged the County Council as providing a satisfactory service overall. This survey is carried out every three years. The results are not thought to fairly reflect the quality of current services, as we know from more recent user feedback that generally customers are satisfied with the services they receive from us on a one to one basis. However, as a general public they are less satisfied when trying to access services for the first time.
- 5.5** Even where services are "excellent", budget pressures have led to resources being cut from front line services. These front line services now operate at the minimum possible resource levels and it has been made plain that it is not acceptable to further reduce resources in these areas.
- 5.6** Most means of reducing running costs have been exhausted, leaving the reductions to be achieved mainly through losing jobs. It is inevitable that this will have a detrimental effect on the quality of service provided, with some services (particularly those which are smaller in scale) suffering more than others to the point where the service becomes inoperable.

Summary

- 5.7** A key issue is that the Councils are currently structured to provide a range of specific services to the customers of Somerset. In terms of support services this requires having in place a variety of technological systems and back office structures which could have the capacity to deliver to other organisations, thereby reducing duplication and maximising usage. However, there is a need to invest in services and the use of technology if other organisations are to be persuaded to share.
- 5.8** In order to achieve this step change in scale economies, investment will be required in new enabling technology, together with the streamlining of systems and processes through business process analysis management. A key strength of the Councils is the calibre and commitment of their staff, but at the present time the full range of resources and skills, particularly commercial and change management expertise, are not

available to deliver such a radical agenda, neither is the investment funding. As time is of the essence, (we need to be planning now for the next two years' efficiency programme), the Councils consider it necessary to look at a range of options with a view to implementing changes from Spring 2007.

A key strategic objective is to achieve a significant level of internal investment into our services to modernise them, improve productivity and equip our workforce to best meet future needs

6. Key aspects of original Outline Business Cases

6.1 The following paragraphs summarise the key aspects addressed in the previous separate OBCs.

6.2 Scope

6.2.1 Services across the SCC's Resources Directorate and from TDBC have been analysed to determine whether they should fall in scope (be moved into the partnership) or be out of scope (continue to be provided directly from another source).

6.2.2 There are a number of types of activity which are relevant in any discussion of programme scope. These are set out in the tables below. However, it should be noted that whilst some specific support and front line services are commonly regarded as "in-scope", our ambitions for the partnership extend well beyond the re-engineering of corporate support and transactional services. We are looking for a partner who will help us transform across the whole range of council services we currently offer. *In that sense, all services are impacted by the partnership, whether they are in-scope or not.*

Categories of Activity

- Corporate and transactional service activity that will become the responsibility of the partner organisation (commonly referred to as "in-scope" activity).
- Corporate and transactional service activity that, by agreement, will remain in the Councils but will have a key interface with the services delivered by the partner organisation (e.g. strategic finance function vs financial services).
- Corporate and transactional service activity which, for strategic or logistical reasons, has not been included within the scope of the partnership (e.g. legal services, internal audit etc.).

- Corporate and transactional service activity which, in future, may become part of the partnership organisation but has not yet for strategic / logistical reasons (e.g. preparation and management of documents across the organisation)
- Customer facing activity which is currently ring-fenced and transparent (SomersetDirect, CareDirect) and which is deemed in-scope.
- Customer facing activity which is distributed through a wide range of functions, departments and posts which, in the fullness of time, will need to be aggregated into the customer service “family”.
- Front line service delivery and associated professional support structures which clearly will not transfer into the partnership (and therefore termed out-of-scope) but which will benefit from the transformation capability that our strategic partner will bring.

6.2.3 The programme currently centres on some of those services provided by SCC’s Corporate Resources Directorate, and TDBC’s corporate services and Revenues and Benefits. It could however potentially include some other functions, particularly those of a transactional nature, currently provided from within other Directorates and services where synergies and alignment to the base scope are identified. A clear methodology, based on key criteria, has been used to produce this base scope and this will be followed in any further scoping assessments. The aim is to ensure that all corporate support services are delivered and the Customer Access Strategy is implemented through the partnership.

6.2.4 This base scope has been developed in conjunction with the Steering Groups established in both Councils, which include Heads of Service (Resources), Service Managers, and staff and trade union representatives. The scope is based on the following criteria:

- potential for customer access improvements;
- potential to maximise the benefits from implementation;
- opportunities for providing the service to other public sector organisations;
- potential for efficiency and improvement;
- potential for deliverability by the partnership;
- potential for realisation of benefits within the timescale of the partnership;
- and
- affordability of improvements required.

6.2.5 From this analysis the following decisions have been made regarding the services which comprise the base scope:

Somerset County Council services

Service Area	In Scope Functions	Out of Scope Functions	2006/07 Budget Gross £000	FTE
Finance	Exchequer services, budget preparation and accounts, FIS team, procurement, payroll, pensions administration	Internal audit, strategic risk management, high level finance and procurement advice, corporate MTFP, standards and key controls, financial training/competence standards, quality assurance CCN/PATS team, Pension fund and treasury management National policy development/lobbying	5,304	165
ICT	ICT services to the corporate organisation, all service departments and schools, Wide and local area networks as well as fixed and mobile telephony	Strategic planning and direction Programme planning Security policy Information Management Strategy Information Management Compliance	6,811	111
HR	HR – meeting demands of services within Directorates including schools , meeting demands of corporate organisation (strategy and policy issues), organisation and provision of corporate training, advertising agency and staffing agency, health and safety unit.	Strategic Direction Major HR Policy High profile/sensitive areas Wyvern Nursery Dillington House Conference Centre	9,080	144
Customer Services	Somerset Direct customer contact centre and CRM system to provide a first point of contact for queries from the public. Implementation of Customer Access strategy and action plans to provide improved first point of contact for queries from the public across a range of channels. Management of delivery of the integrated access channels through a single overarching Customer Services Bureau. The above provides an initial	Strategic Direction i.e Customer Access Strategy and Web Strategy	1,438	47

	position on scope within the context of customer services but it may be expected that further customer facing services will be included incrementally within the partnership scope as the approach to Customer Access is developed.			
Property Services	Supports the County Council as corporate landlord and main areas of service delivery through the corporate management/planning of property/estates assets, procurement and management of construction and maintenance services and provision of traded services to schools and external clients	Strategic Estates management Local Plans and s106 policy Corporate property standards Ownership of Property Data and property assets	4,470	102
Legal Services	Debt collection services	Monitoring office role Education and child care: (child care, schools advice and casework, adoption, SEN, schools prosecutions, Some adult social services and mental health work) Environmental (Planning, highways, RoW, Regulation Committee, Commons, Waste, Advocacy and inquiries) Employment law General non-property advice for other departments Support to Lord Chancellor's Committee and Coroner's links Provision of conveyancing function and advice on property law.	9	0.5
Somerset County Services	Telephony, reception, mail room and despatch Design and print (design services, photocopying and laser copy Printing services Finishing services)	Security/Access control Car/Bike pool, car parking Areas accommodation Facilities support staff group Catering and cleaning services	1,958	29

Taunton Deane Borough Council services

Service Area	Functions	2006/07 Budget Gross £'000	FTE
Finance	Treasury management, budget preparation and accounts, insurance	380	11
IS	IT department , Static and mobile telephony, voice and data activity, Wide Area network, Local Area network	817	15
HR	HR – meeting demands of Services, and of corporate organisation (strategy and policy issues), employee relations, organisation and provision of corporate training, recruitment advertising, payroll and Occupational Health	564	10
Customer Services	First point of contact for queries from the public	503	33
Property Services	Asset holdings and management, facilities management, maintenance and design, GIS	1,531	20
Procurement	Procurement functions (including purchasing)	242	12
Office Services	WP, Post Room, Design & Print	511	15
Revenues	local taxation, income control,	711	24
Benefits	Benefit administration, Investigations.	1,089	34

Revenues and Benefits services have been included in the list of potential “in scope” services in the Taunton Deane table above. The case for including these services may, at face value, seem more difficult to understand, given that both services have already rationalised their operations and currently out perform national targets.

The key drivers behind the need for organisational change are that of corporately improving the customer focus of services, of making services more accessible, and of delivering value for money to taxpayers. Both Revenues and Benefits will need to be part of any new approach or strategy developed about how best to achieve this corporately.

A further reason for inclusion is that if Taunton Deane is a founder member of a partnership arrangement, strategically they will be positioned well for this service to be offered to other local authorities who have not yet chosen to be part of the arrangement. Additionally, the “skills set” of staff is very similar to those used in several SCC services – offering potential for exploring different ways of working in the future. This strategic positioning will allow opportunities for further developing and growing these services outside of Taunton Deane – offering staff an opportunity for development and stability that they simply cannot offer.

Finally, Revenues and Benefits are classified as “transactional” services which reflects current government thinking about appropriate areas for inclusion in a strategic partnership.

- 6.2.6** The statutory roles of the Chief Financial Officer and the Monitoring Officer are not included. Both Councils will also keep out of the scope the resources necessary to maintain sufficient strategic capacity. There is also a need to assess precisely what resources the Councils will need to retain outside the scope of the partnership for contract and performance management and for providing strategic direction; work is underway to determine what the new structure might look like, which could be significantly different from what we have at present.
- 6.2.7** The base scope was approved by the Joint Programme Board on 25th August 2005, although work is continuing to identify functions in other areas of the Councils which align and have synergies to the base scope as outlined above, to ensure that all similar activities are included.
- 6.2.8** The base scope was identified in the OJEU notice and will be finalised for ITN (Invitation to Negotiate) after discussions with short-listed suppliers so that bidders will be able to provide tenders against a known scope. However, the bidding process will enable potential partners to offer variant bids which may alter the scope. At no point after issue of the ITN will the scope be able to be increased from what has been outlined in the OJEU notice as this could risk breach of procurement rules.

6.3 Employment models

- 6.3.1** The type of employment model, that is secondment or TUPE, essentially drives the business model. Therefore, a key aspect of progressing with the partnership will be the issue of how staff move to the partnership and what this will mean in respect of their employment status.
- 6.3.2** The Councils’ preferred model is for staff to be seconded to a partnership rather than apply a TUPE transfer. The reasons for this are:

- Terms and conditions of employment will remain those of the employing authority and will consequently give more stability to staff at a significant time of uncertainty
- A more stable staff base is more likely to ensure continuity of high quality service provision
- Although the partnership will decide how many and what sort of staff it wants any staff in excess of its needs will first be considered for other positions within the partnership and will also have the opportunity to return to the local authority for redeployment to be explored. This gives an added safeguard to staff if the partnership decides to rationalise staff numbers
- Our experience of other local authorities who have opted for the secondment model rather than TUPE is that partnering relationships tend to be stronger and the need to retain a top heavy strategic core tends to be less.

6.3.3 It is possible, however, that TUPE can be a viable option and it is necessary that we do not exclude this. Our position to the market must be that if TUPE is a preferred option to a supplier, then they will need to convince us of the additional benefits.

6.4 Procurement

6.4.1 The procurement (negotiated procedure) was outlined in the previous OBCs and commenced in December 2005 with the publication of the OJEU notice. The OJEU was placed on behalf of SCC and TDBC councils and a further 36 local and public authorities were included as they had expressed an interest in obtaining services through the partnership once it is established. This will require the contract to be structured in such a way as to allow these other authorities (if they wish) to purchase from a menu of services, known as a framework.

6.4.2 40 expressions of interest were received. The deadline for submission of the prequalification questionnaire (PQQ) was 6th February 2006 and ten responses were received, six from sole bidders and four from consortiums. Interested suppliers were also requested to complete an Invitation to Submit an Outline Proposal (ISOP) which required more detailed responses to a number of questions relating to the objectives of the ISiS programme which allows the Councils to undertake a more detailed consideration of a supplier's experience and expertise.

6.4.3 Shortlisting is a two stage selection process with assessment of the PQQ first to select the longlist followed by assessment of the ISOP to select the shortlist. This process is due to be completed by the end of March 2006. The shortlisted companies will be those who will be invited to negotiate and will be asked to submit a bid.

6.4.4 The procurement timetable has been revised as follows

Activity	Timetable
1 Issue OJEU Notice	17 December 2005
2 Shortlisting of suppliers	March 2006
3 Invitation to tender	May 2006
4 Submission of tenders	August 2006
5 Selection of preferred bidder	October 2006
6 Contract award	December 2006

6.4.5 The timetable has been revised since the previous Outline Business Case following the interest from Avon and Somerset Police in becoming a third partner authority. This interest was subsequently withdrawn because of the police force restructuring agenda. As this is a negotiated procedure the timetable can be revised again in either direction after short-listing as necessary.

6.5 Programme Costs

The costs associated with the options analysis detailed above are included in the assessment in the Affordability Section.

6.5.1 The second set of costs associated with the programme relates to programme management. Assuming a programme duration of two years to March 2007 this is estimated as shown in the following paragraph. The Executive Boards of both Councils have approved these funds:

6.5.2 It may be prudent subsequently to include a contingency for a consultancy budget for technical advice on areas such as ICT, customer access, property and contract/client management. This will be kept under review.

Estimated programme costs 1.4.05 – 31.3.06

Cost Area	£000
Salaries and Backfill:	855
Office costs such as training, travel, office consumables, meeting venues, IT equipment.	119
Consultancy Fees Legal Financial Insourcing research Communications	670
Income (Regional Centre of Excellence)	(120)
Total	£1,524

- 6.5.3** It should be noted that all programme costs are deemed to be not recoverable and should be written off in terms of the overall financial analysis. The funding from the Centre of Excellence was agreed on the basis of our programme initiation document and will be released in two equal instalments of £60k in October 2005 and April 2006.

It is estimated that some additional funding for the implementation stage (not covered in the estimates above) will be required. A small sum has been included in the affordability model.

7. The Updated Business Case

The following sections summarise the key developments, progress and revisions made since endorsement of the previous OBCs in September 2005.

7.1 Options Appraisal

The aim of an options appraisal is to determine the option(s) that best meet our objectives and drivers, and that delivers Best Value. Options appraisal is therefore a critical part of the business case analysis.

7.1.1 Delivery Model Options

From reference to guidance and discussions with government departments and other local authorities that have already studied the options, the following main types of potential service delivery models were identified.

2	Model	Description
3	In house (Status Quo)	The do nothing or do minimum option – the Councils continue to provide services as they do currently with no formally contracted external support.
4	In- sourcing	The Councils continue to provide services in house but with the specific support of external providers to offer skills and capacity not available within the authorities.
5	Outsourcing	The provision of one or more services is outsourced to a private sector provider. The Councils specify the services required and the provider is paid a fee for delivering against the specification. Staff involved in providing the services transfer under TUPE to the service provider.
6	Partnering	A variation of outsourcing, whereby the provision of one or more services is provided through a 'joint venture' between the authorities and the private sector. The partners jointly agree on the service requirements and share the risks and rewards of any service improvements and/or efficiencies through price performance arrangements.

The respective advantages and disadvantages of the models described were addressed in both original OBCs; the outcome in September 2005 indicating that the procurement of a Strategic Service Partnership (ie procuring a private sector partner) appeared to be the route most likely to meet the two councils objectives.

However, since the results of the options appraisal were published in September 2005, further analysis of the potential delivery options has been undertaken, separately, by both councils to further assess the potential of each to meet the ISiS programme's objectives (see para 3.4)

7.1.2 The Revised Assessment Process against Programme Objectives

A single set of evaluation criteria was developed, comprising the 6 strategic ISiS objectives plus 9 additional criteria which measure the deliverability of each type of delivery model against our objectives. This set of criteria was discussed and agreed by both councils' Steering Groups in December 2005. For reference the agreed criteria are listed below:

- Improved customer access
- Efficient business support & transactional services (shared support services)
- Cultural change
- Funding sources
- Investment in people skills (capacity building)
- Job creation/regeneration
- Cost and affordability (value for money)
- Delivered within time plan
- Associated benefit realisation
- Transfer of risk
- Service risk

- Deliverability (capacity)
- Flexibility
- Organisational impact
- Sustainability

The revised options appraisal was undertaken by the SCC Steering Group, TDBC Steering Group, and the Joint Members' Advisory Panel in three separate workshops in January 2006. The weighting evaluation matrix (attached as Appendix 3) directs participants to prioritise each of the criteria against all others, according to its importance to the achievement of the ISiS objectives. This results in an individual weighting for each criteria.

This exercise was carried out in each workshop.

The results show that priority was given to differing criteria depending on the stakeholder group.

SCC Steering Group gave their top priorities as

- Improved Customer Access
- Service Risk
- Efficient business support & transactional services (shared support services)

TDBC Steering Group gave their top priorities as

- Sustainability
 - Service risk
 - Deliverability (capacity)
 - Cost and affordability (value for money)
 - Funding sources
- } weighted the same

Joint Member Advisory Panel SCC members gave their top priorities as

- Associated benefit realisation
- Cost and affordability (value for money)
- Efficient business support & transactional services (shared support services)

Joint Member Advisory Panel TDBC members gave their top priorities as

- Sustainability
 - Deliverability
 - Associated benefit realisation
 - Cost and affordability (value for money)
 - Efficient business support & transactional services (shared support services)
- } weighted the same

7.1.3 Four delivery model options were then assessed against each of the evaluation criteria using a 1-10 scoring band (1 indicating that the option

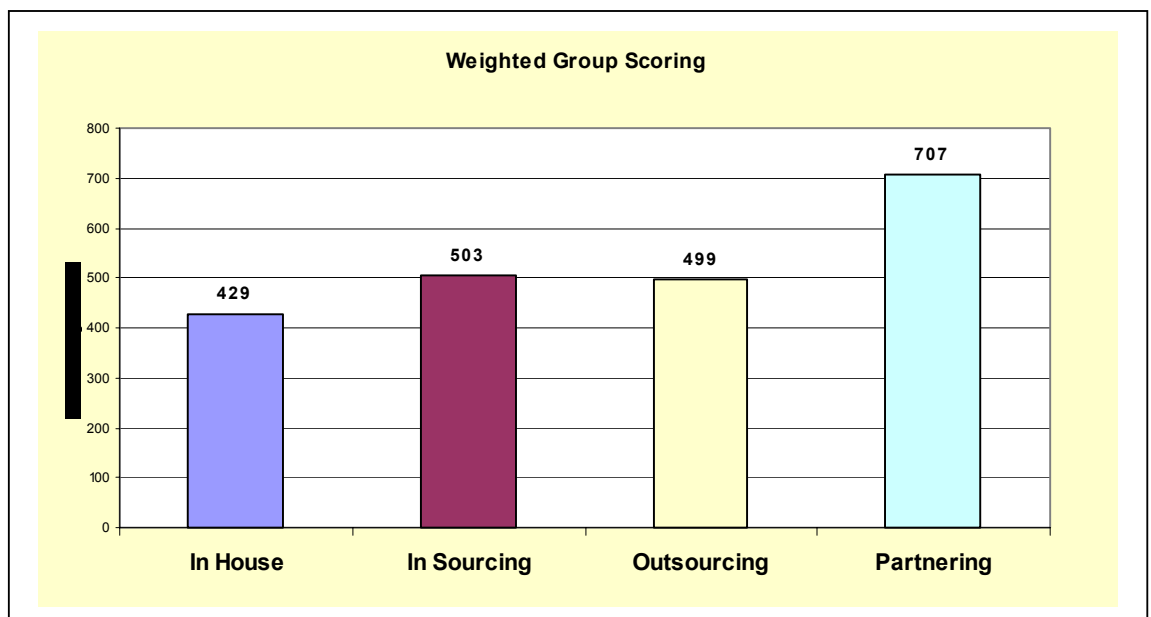
would not deliver objectives; 10 fully supporting the programme objectives):

- *In house* – this option assumes either SCC or TDBC “going it alone”, continuing the work in the same way as now with short term support from consultants and working with other public sector organisations
- *In sourcing* – commissioning a private sector company to assist with specific pieces of work to achieve efficiencies then leaving the Authorities to continue to manage the services alone
- *Out sourcing* – transfer of staff to an external partner who takes over responsibility for their management
- *Partnering* – staff are seconded to partnership formed with the private sector

7.1.4 Participants were provided with two reports, one based on the research that the programme team had undertaken into partnership models (both outsourcing and secondment models) and the other based on research undertaken by a independent consultancy (commissioned by the Programme Team) into insourcing models. Participants were asked to take into account the findings in the reports to support their assessment.

7.1.5 The overall combined score set out below clearly shows that the partnering option scored highest for each of the stakeholder groups. This outcome supports the findings of the earlier options appraisal but has been seen to be a more robust and more inclusive process, supported by independent research reports. The outcomes for each stakeholder group are attached at Appendix 4.

7.1.6



7.2 Affordability

7.2.1 The financial evaluation will be an important part of the overall evaluation of suppliers' bid submissions. In essence the Councils will be looking for the following:

- An affordable and competitive annual service charge
- The highest level of investment in technology and people
- The highest level of savings from efficiencies and business process re-engineering for both the in scope and out of scope services
- To benefit from any new business growth

It is accepted that some of these savings will be needed to fund the investment and deliver the customer access strategy.

Methodology and Modelling

7.2.2 At this stage it is important to understand that it is not possible, nor necessary, to produce a fully costed or detailed financial plan. Precise costings will emerge when potential suppliers begin to set out what can be provided and how they intend to do it. The model is not our bid expectation but proves that, overall, prospective partners should be able to submit bids that are affordable and that meet our expectations.

7.2.3 The in-sourcing model was included in the original OBCs to establish a baseline position of what the Councils estimate it would cost to achieve our objectives if we funded the investment ourselves and bought in consultancy services. However, following the revised Options Appraisal undertaken in January this year it is clear that the in-sourcing and outsourcing models do not meet our objectives as well as the collaborative model and therefore fall short as comparators. The councils have therefore decided that these models will no longer be progressed.

7.2.4 As before, the affordability model remains a complex calculation comprising several different variables. As we are still in the early stages of the programme, and no information is yet available from prospective partners, the model has to be based on a set of working assumptions. However it is important to note that a number of these assumptions will be subject to further discussion and amendment.

7.2.5 The financial model is flexed around major variables, including the amount of business process re-engineering (BPR) efficiencies which the partnership could achieve.

These assumptions will all be revisited and refined as more information becomes available.

7.2.6 Overview of Affordability

The affordability model has been re-assessed by both councils and our financial advisers. The model continues to show that the strategic partnering option is affordable and is best suited to delivering our joint objectives.

Overall, based on the assumptions in the affordability model, the partnering option based on secondment results in the most affordable solution.

8. The Programme

8.1 Preferred Option

8.1.2 Following the updated Options appraisal (see section 7) the intention is still to progress the strategic service partnership route. Contracts of a similar scope, value and desired outcomes to that of Somerset have been signed both in unitary and two tier councils. It is therefore not unrealistic to expect that we can achieve our aims.

8.1.3 Once the partnership is established it will be able to provide services to other authorities and public bodies across the South West through a framework contract. Other District Councils in Somerset and other authorities have registered their interest in the associated framework agreement, thereby enabling them to take advantage of this opportunity at any point during the first four years of the contract. In doing so they would be able to negotiate the contract duration to suit their own requirements within the overall timeframe of the partnership. By registering interest this allows these authorities to make use of the OJEU and evaluation process which is being followed by the ISiS programme for their own procurement process.

8.1.4 Authorities who have not registered an interest will be required to undertake their own procurement process and the partnership would be required to bid in open competition for the work.

8.1.5 The need to include a robust, flexible and future proof exit strategy was identified at an early stage. Both Councils realise that they need to plan carefully for future events that could affect the programme's viability (e.g. future local government reorganisation, legislative changes, financial stability of the strategic partner) and plan a strategy that allows the Councils to exit from the partnership in a way that does not damage customers, services or staff.

8.2 Attractiveness to Market

8.2.1 In order to understand the appetite of the market for a programme of this type a soft market testing exercise was completed. Nine companies were initially invited to attend informal meetings with the programme's senior responsible owners, and the programme managers. Six attended and the meetings followed a set agenda covering the key themes of scope, procurement timetable, contract term, value and principles of partnerships, key issues, supplier experience, market development and capacity and interest in Somerset. A further supplier consultation with the same format was held before the contract was advertised following specific requests from six companies who had not been part of the original exercise but had heard about the ISiS programme and wished to find out more.

It is important to note that the soft market testing process does not form any part of any evaluation of suppliers, rather it was intended to inform the decision making process within the Council. A rigorous procurement process is now being followed and all companies whether or not they have taken part in the market sounding exercise will be assessed in the same way.

8.2.2 The response to the OJEU and submission of the shortlisting documentation, with a total of nineteen companies wishing to be involved either as sole bidders or as part of a consortium, supports the initial interest from the market.

8.2.3 The previous outline business cases provided details of a number of partnership programmes already in existence and the ISiS programme team is continually monitoring progress with these and with a number that are currently in procurement. Bradford City Council and Birmingham City Council are two authorities which have recently signed contracts. Walsall on the other hand has recently failed to reach signature after a lengthy negotiation. SCC and TDBC are aware that a key requirement of a successful deal is a clear statement of requirements and an understanding of the deal breakers before the invitation to negotiate is issued.

In addition to ISiS, there are currently two other strategic service partnerships following a similar procurement timetable, Southampton City Council and Swindon Borough Council, but this does not appear to have diluted the market interest in Somerset.

- 8.2.4** It should also be noted that the services identified as in scope are not failing services but to the contrary, are well run in the current context. SCC has already committed to investing in upgrades to the financial system to facilitate e- procurement and to a new payroll system which is currently being implemented.

8.3 Programme outputs

- 8.3.1** The Programme will produce a portfolio of outputs which will facilitate the delivery of a strategic service partnership to meet the Councils' objectives.

- 8.3.2** The following tangible products are the infrastructure and documentation necessary to produce a successful outcome:

- Programme Initiation Document which includes the project management structure, the programme plan, the communications strategy and plan, the risk strategy and register, the quality assurance strategy and plan
- Strategic OBC
- OBC
- Final Business Case
- OJEU notice
- Pre Qualification Questionnaire
- ISOP
- Bidders Information Prospectus
- Short-listing Assessment Matrix
- Documentation and proformas for Invitation to Negotiate
- Bid Evaluation Matrix
- Contract Terms and Conditions

8.4 Critical success factors

- 8.4.1** The programme has the clear aim of delivering a strategic service partner. To ensure a successful outcome there are a number of critical success factors relating to the programme management function.

- 8.4.2** The following checklist will be used to ensure that the programme is managed appropriately and that it progresses in accordance with the programme plan:

Programme principles

- A clear strategy exists for improving corporate and transactional services
- Links with Change Agents and other authorities addressing this change are explored
- There is a business case for change which has a clear vision and objectives
- All potential programme and delivery options have been evaluated
- The programme fits within the local authorities' overall corporate strategy
- The programme will deliver the required business objectives
- There is demonstrable commitment to the chosen programme
- The programme has the potential to succeed against SMART objectives
- The chosen programme demonstrates Best Value

Affordability

- Cost/benefit of change has been assessed against a robust base line
- Funding sources for change have been identified
- Initial programme cost estimates have been produced
- Current delivery of services represents Best Value

Managing Process and Resources

- Skills and resources exist to develop and transform these services
- Adequate programme structure, resources and monitoring exists
- Time and resources are available to develop the baseline and deliver the programme
- Programme management roles are assigned and understood
- Boundaries of responsibility and accountability are clear and understood

Managing stakeholders and communications

- Common goals and clearly defined deliverables have been agreed
- Visible commitment of sponsors to programme and business objectives
- Sufficient delegation of authority/decision making to principal managers
- Comprehensive stakeholder management and communications plan exists
- Formal and informal consultations established and participation encouraged
- Issue resolution and change control strategies exist

Risk Management

- Risk management arrangements are understood
- Strategic risks and how they are assessed and managed are visible
- Risk contingency arrangements and costs are understood

Understanding the Market and the Environment

- Delivery of these services within and by the authority is the best solution
- Working with other authorities/public bodies has been evaluated
- Market has the capacity to respond to the proposed solution
- Market feasibility has been tested (especially if collaboration is involved)

Good Practice

- Use has been made of existing toolkits and techniques
- Progress by other authorities and Change Agents has been incorporated

Technical Issues

- Services performance has been benchmarked/tested
- External and internal advisors are objective and impartial

Suggested Guidance

- Gateway reviews
- 4ps procurement packs and know how guidance material
- ODPM strategic partnering taskforce materials
- 4ps the OBC
- 4ps the full business case

8.5 Management

Management approach

- 8.5.1** The programme will be managed in accordance with the principles of Prince 2. As the programme is now a collaboration between SCC and TDBC and includes a number of programme workstreams it is structured as a programme to ensure that all workstreams are co-ordinated through a single programme manager.
- 8.5.2** The programme structure is detailed at Appendix 6.
- 8.5.3** The roles and responsibilities of the various elements of the programme organisation are described in Appendix 7.

- 8.5.4** External advice is being provided by the 4ps, an 'independent' government agency which specialises in partnerships. However the Councils will need to seek further specialist legal, financial and commercial expertise at key stages of the programme to ensure that all processes and the basis for decisions are robust and fit for purpose.

Risk Management Strategy

- 8.5.5** Clearly a programme of this scale and nature will carry a number of significant risks. Both Councils have a tried and tested methodology for assessing and managing risk and this programme will be no different. A comprehensive risk register is being maintained by the programme and is reviewed on a regular basis by a Risk Review Board which includes independent corporate risk management and QA (audit) functions. Risks are reported to the Programme Board as a standard agenda item within the progress reporting process. The Risk Register is appended to the programme PID, both of which are available through the ISiS Programme Office.
- 8.5.6** Risk is the chance of something happening that will have an impact upon objectives. Risk can be defined as the chance of exposure to the consequences of future events. Risk becomes a major factor to be considered at a number of stages in the life of a strategic service partnership programme:
- In the programme management (programme risk)
 - In the evaluation of proposals (deal risk)
 - In the transition (transition risk)
 - In the partnership relationship (operational risk)
- 8.5.7** Other risk areas to consider are reputational risk - risks from any of the above listed stages that might impact on customers, users, stakeholders or the marketplace and political risk – an uncertain political climate can adversely affect the effectiveness of the partnership or the willingness of others to partner with the authorities.
- 8.5.8** Risk can increase in multi-authority programmes and this is reflected in the risk management plan. The guiding principle is that risk should sit where it is best able to be managed out and mitigated against.
- 8.5.9** These risks will need to be quantified, the potential impact costed where appropriate, and mitigating actions allocated and tracked once they have been agreed by the Joint Programme Board.

Gateway Review Process

8.5.10 The Gateway review process, managed by the 4ps (a government agency) examines programmes at critical stages in their lifecycle to provide assurance that they can successfully progress to the next stage. Both Councils have requested reviews at the following key milestones:

- business justification – review of business case
- investment decision – review of procurement process and evaluation
- Readiness for service – review of implementation programme

8.5.11 The first Gateway review took place in early May 2005 and a number of recommendations were made. These were developed into an action plan and were addressed prior to proceeding to procurement. A second formal review of the Business Case was introduced in August 2005 in advance of placing the OJEU notification. It is planned that internal and external audits of the programme will be overseen by the Quality Assurance Manager.

8.6 Communications

8.6.1 This programme has a far-reaching remit touching all aspects of service delivery and it is therefore vital that all stakeholders are kept apprised of both Councils' intentions, overall progress and key decisions in a timely and accurate way.

An outline joint communications strategy has been developed and agreed identifying all stakeholders, the communication channels for communicating with them, key messages and ways for staff to express their views. This is included as Appendix 1.

Based on this outline strategy detailed strategies have been prepared for each council. These detailed strategies form the basis from which monthly communications plans are prepared and implemented.

Good communication has to be built into this project and is critical to the successful management of the change process.

8.6.2 The programme has been initiated at top management level and is wholeheartedly supported by the Chief Executives, their Senior Management Team and the relevant corporate services managers. It has

cross party political support. The Directors from both Councils act as programme champions.

8.6.3 The Councils have established a strategy to ensure that the communication messages are consistent at all times.

8.6.4 We have both begun communications exercises with our staff and have to date held a number of briefings for senior managers, corporate services staff and other staff across both organisations.

The direct impact on people in Somerset should not be underestimated. Overall they will benefit from transformation of the customer experience through increased ease of use and round the clock access to services. In addition, a key objective is for us to attract a partner prepared to invest in Somerset and create employment opportunities for the wider community.