

TAUNTON DEANE BOROUGH COUNCIL

EXECUTIVE 18 JULY 2007

Report of Strategic Director (Shirlene Adam)

(This matter is the responsibility of Executive Councillor S Coles)

IMPROVING SERVICES IN SOMERSET (ISiS)

EXECUTIVE SUMMARY

This report outlines the latest position regarding our negotiations with our preferred bidder – IBM (together with their partners HBS and Mouchel Parkman). Members will recall that Taunton Deane, together with Somerset County Council, and more recently Avon and Somerset Police (ASP), have been progressing towards the creation of a Joint Venture Partnership to deliver corporate and transactional services, together with transformational change.

The purpose of this report is to request the Executive and Full Council to confirm its commitment to entering into a Joint Venture with IBM.

Negotiations, albeit at an advanced stage, are on-going with IBM and the most up-to-date detail will be reflected in the **updated business case which will be presented to Members on the day of the meeting**. This report contains information in draft form – hence the recommendations are not finalised. **More detailed recommendations will also be presented at the meeting which will provide Members with more information on the affordability of the offering and how it will meet their aspirations.**

1. Background and Introduction

- 1.1 In early 2005, Taunton Deane Borough Council (TDBC) and Somerset County Council (SCC) jointly embarked on an ambitious and revolutionary programme to transform public service delivery in Somerset.
- 1.2 The programme aimed to create a shared services environment for back-office functions, which would in turn facilitate the investment in technology, infrastructure and skills to transform the delivery of services to customers.
- 1.3 Members have been briefed on progress of the programme at regular intervals over the last 2 years. The most recent report was considered by both the Executive and Full Council of both TDBC and SCC in late

March 2007. The unanimous decision of both Councils was to appoint IBM as the Preferred Bidder on the ISiS Programme, and delegated authority to the Strategic Director (SA) and the relevant Portfolio Holder to take forward negotiations as necessary to enable the contract to be finalised – focussing on the IBM Variant Bid proposals.

- 1.4 All Members have since had the opportunity to:-
- hear from the short listed bidders directly (Full Council Scrutiny Event (Part1) – Tuesday 26th June 2007); and
 - hear a presentation by the Strategic Director (SA) on the contract negotiations and business case (Full Council Scrutiny Event (Part2) – Monday 16th July 2007).

2. The Drivers for the ISiS Programme

- 2.1 The key drivers for ISiS will be set out in detail in the updated business case and are summarised below:

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.

Efficiency

The Gershon agenda currently requires local authorities to deliver efficiency savings of a cumulative 7.5% over a three year period commencing 2005/06. This is in addition to producing a balanced budget based on challenging financial settlements. The latest forecasts for the next Comprehensive Spending Review (CSR) round predict that authorities will be required to meet even higher efficiency targets – potentially around 3% per annum.

Transformation

The Councils have an ambition to transform their services by streamlining back office functions as well as reducing transactional costs by introducing modern technology.

Localisation/White Paper

Both Councils are working towards a localisation model which will devolve, as far as possible, democratic decision-making to front-line Councillors, mirrored by local service commissioning and delivery models

3. The High Level Objectives of the ISiS Programme

- 3.1 In summary, the high level objectives of the ISiS Programme are as follows:-

- 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

3.2 Further detail on the objectives is set out in Appendix A.

4. The Bid

4.1 The IBM Variant bid set out to achieve the Councils' broadest objectives and ambitions. The commercial offering is subdivided into elements which focus on delivering enhanced support services, a major project to transform procurement across both authorities and a "menu" of transformation projects which effectively "translate" the aspirational elements of the Councils' ambitions into projects which can be funded from procurement savings.

4.2 At time of contract it is proposed that five "core" transformation projects will be contracted for (known as Wave 1 Transformation Projects). These projects are:

- a) Enterprise wide SAP ERP implementation (and enabling projects)
- b) Replaced Customer Relations Management systems and piloted Customer Access improvement
- c) Roll-out of the People Excellence Model throughout the JVCO, hopefully as a precursor to organization wide roll out.
- d) Full county wide property review commissioned
- e) Procurement transformation

4.3 These "Wave 1" projects are prioritised either because they are fundamental to a sequential change programme, or because they are fundamental to delivering core council policies. There are also some potential early candidates for Wave 2 projects – eg roll out of Broadband, and mobile working capability.

4.4 Future transformation projects will be commissioned and approved on a business case by business case basis. There will be a regular process of refresh and review of the developing transformation project portfolio to ensure it is aligned with Councils' priorities and ambitions.

4.5 A key component of the transformation programme is the transformation of our procurement processes. The savings generated will provide the funding stream for our transformation programme.

5. Timeline For Negotiations and Contract Closure

- 5.1 The recommendation presented to Members in March suggested an ambitious target for contract signature by the end of June 2007, with a view to contract commencement mid-July 2007.
- 5.2 For several reasons, the major one being the overall complexity of the negotiations of this unique venture, it was agreed that a revised target for contract signature of 27 September 2007 was more realistic. This will enable the negotiating team to achieve the optimum benefits for the Councils for the Joint Venture, and potentially allow the contract commencement on 1st October to be aligned with that of the Police.
- 5.3 The work to be undertaken between now and contract closure is largely legal drafting and commercial detail, and negotiating on detailed points (as opposed to points of principle). The business case presentation will therefore explain the “deal” as it currently stands, and request Members to approve progression to contract closure on this basis (within agreed tolerances).
- 5.4 In order to fast-track some of the savings required to fund the transformation programme, the Councils are discussing options around fast-tracking elements of the procurement transformation project. This could involve the Councils agreeing to progress some work “up front” of the main contract being signed. Further work is needed on this and the conclusion will be presented to Members at the meeting.

6. The Negotiation Process

- 6.1 The negotiating process is extremely complex and has involved a large number of the Council’s officers in ensuring the contract we eventually sign with IBM delivers according to our needs and aspirations.
- 6.2 Teams of officers have engaged IBM across a range of workstreams and it is to their credit that significant progress has been made in progressing our negotiations. We decided at the outset to break the negotiations down into a range of workstreams and have resourced them accordingly.
- 6.3 The Commercials Workstream in particular has acquired some specialist negotiating skills which the three founding partners have “bought-in” from KPMG. Two experienced senior commercial negotiators have been seconded to the authorities to support the SROs in this process. The “added-value” this has brought to the deal will more than outweigh the not insubstantial costs incurred in bringing these skills to the programme.

The major negotiation strands are:

Commercials (including legal and finance) - to ensure we have an affordable business case that can be delivered within a legal framework.

HR and Governance - dealing with the key staffing issues and how the Joint Venture will be managed and directed.

Communications - reflecting the imperative to keep key stakeholders informed.

Transformation - to develop the key transformation projects into business cases.

Operational – to respond to the due diligence work to ensure the core services provided by the Joint Venture will effectively deliver to agreed standards and performance.

Programme Management – to support all of the above in terms of project planning, document management, administrative support, and meeting support.

- 6.4 The work streams have progressed well and have had to navigate through a range of complex issues. The extension to the deadline for contract signature will enable the workstreams to conclude their negotiations and to achieve optimum benefits for the Councils.

7. Governance Arrangements

- 7.1 As with earlier stages of the ISiS Programme, the Joint Members Advisory Panel (JMAP) has been closely involved in progress of the negotiations. They have met weekly since the end of March and have provided invaluable support and detailed scrutiny of the negotiations thus far.

- 7.2 In addition, the Joint Programme Board (made up of the corporate management team of the two Councils) have met regularly and provided guidance on points of principle for the negotiating progress.

- 7.3 It is proposed to continue this high intensity governance during the remainder of the negotiation process. Thereafter, the governance arrangements will change to support the “live” partnership. Details of the future governance arrangements are contained in the Business Case to be presented to Members at the meeting.

8. Memorandum of Understanding

- 8.1 The three authorities have been working jointly on the ISiS Programme for some time now. We have a Memorandum of Understanding in place between the three organisations to offer protection around working arrangements in the future.

9. Programme Risks

- 9.1 There is a rigorous process of programme and contract risk identification and mitigation in place for the ISiS Programme. This is reviewed monthly by the Joint Programme Board.

10. Strategic Investment Review

- 10.1 MAANA Consultancy has very recently undertaken a Strategic Investment Review on the ISiS Programme.
- 10.2 Informal feedback suggests that the programme is progressing well. The final feedback session is scheduled to take place prior to this meeting, so any new issues emerging will be flagged to Members.
- 10.3 Any recommendations from this review together with the full report from MAANA will be shared with Members through the Joint Members Advisory Panel, and Joint Programme Board in due course.

11. Consultation

- 11.1 Engagement with the Staff Consultation Forum and Unison has continued throughout the period since the Preferred Bidder decision in March 2007. It is expected that this will continue, and perhaps step up a gear in the months leading up to contract commencement.

12. The External View of ISiS

- 12.1 The framework arrangements for the Partnership were drawn up so that other public sector organisations in the South West could also join, or benefit from the services that the Partnership will offer. To date, over 30 local authorities have expressed an interest in joining the arrangement. This particular initiative is being supported and developed on a regional basis through the South West Centre of Excellence.
- 12.2 As mentioned in an earlier update report, national interest is also gathering a head of steam, including interest from the Cabinet Office, at whose request a case study article has been written and published in their national Shared Services Bulletin. A copy of this article is attached at Appendix B.
- 12.3 The recent Government White Paper encourages authorities to work in partnership to deliver benefits (financial and otherwise). The ISiS Programme is recognised as “the way forward” by neighbouring Councils – whatever the outcome of any debate around the future structure of local government locally.

13. Preparing the Council for Change At TDBC

- 13.1 Staff who fall within the scope of the ISiS Partnership and who will move to the Joint Venture arrangement need to be properly prepared for, and supported through the significant change that lies ahead. Work is already taking place within these services to ensure there is a smooth and successful transition to the new arrangements and that staff and managers are properly prepared for this new environment.
- 13.2 Planning and preparation for change will not however be confined purely to these services that are “in scope” – setting up the Partnership is intended to help the *whole* Council transform the way that customers access and receive their services.
- 13.3 Front line services therefore also need to be prepared for, and involved in the significant change that the Partnership will bring to the council’s ways of working. The planning work referred to above therefore covers the preparation we need to make across the council as a whole, to ensure we optimise the benefits that this new Partnership can bring.

14. The TDBC ISiS Programme Budget Position

- 14.1 The ISiS update report to Members in January 2007 predicted an overspend on the programme budget. This was based on “best estimates” of expected costs to bring the programme to closure by 1st July 2007. As requested, Officers looked at ways of funding this within existing approved budgets. As at the end of the financial year 06/07, TDBC had fully funded its share of the predicted overspend (by using salary vacancy savings etc).
- 14.2 It is now appropriate to review this position, in light of the extended timetable, and the new negotiation resources.
- 14.3 The latest predicted budget position (again based on “best estimates” of expected costs (staff and consultancy) needed to bring the programme to closure by the end of September 07) will also show an overspend. Further work is being done to firm up on this position, and Members will be briefed more fully at the meeting. TDBC pick up a “share” of a larger programme overspend.
- 14.4 TDBC can part fund this predicted overspend from existing approved budgets (as we did last year) – however it is unrealistic to assume that this will fully fund the overspend.
- 14.5 Members are requested to approve a supplementary estimate from General Fund Reserves of £xx to part fund this overspend. (to be updated at the meeting)

15. Recommendations

15.1 The Executive is requested to recommend to Full Council that:-

- a. Taunton Deane Borough Council confirms its commitment to entering into a Joint Venture with IBM, subject to the satisfactory conclusion of the final negotiations; and
- b. Delegated authority be given to the Strategic Director (SA), together with the lead Portfolio Holder to conclude those negotiations, and sign the contract, to achieve the agreed priorities of the Council, as well as ensuring optimum value in achieving those priorities (subject to the final deal being within the tolerances outlined at the meeting); and
- c. Approval be granted to commission IBM to commence interim work on the procurement transformation project; and
- d. Approval be granted for a supplementary estimate from General Fund Reserves of £xx to fund ISiS Programme costs.

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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”

Executive 5 April 2006 – “Improving Services In Somerset – Business Case Update”

Executive 10 January 2007 – “Improving Services in Somerset – Progress Update”

Executive & Full Council 20 March 2007 – “Improving Services in Somerset Programme”

THE ISiS PROGRAMME HIGH LEVEL OBJECTIVES

APPENDIX A

Objective	The End Goal	The Culture
<p>To improve access to and delivery of customer-facing services</p>	<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
<p>To modernise, reduce the cost of and improve corporate, transactional and support services</p>	<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
<p>To help modernise and transform the overall workings of the County Council and Taunton Deane Borough Council</p>	<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 • <i>A market leader partner</i> 	<ul style="list-style-type: none"> • Delivery focused, (not service led) • Innovative and challenging • Accessible and flexible • National /International reputation • A UK HQ

Objective	The End Goal	The Culture
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 - 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 	

Improving Services in Somerset

Cabinet Office – Shared Services Bulletin - Case Study

The Improving Services in Somerset (ISiS) programme was originally developed as a response to the multiple challenges faced by local government in particular, though it has resonance for the wider public sector in general. ISiS is a public private partnership which, amongst other things, includes the development of a shared service infrastructure which could potentially span all public agencies in the South West region.

ISiS has a number of unusual features:

- It was originally developed by two tiers of local government (Somerset County Council and Taunton Deane Borough Council) – these councils will be the founding partner councils in the partnership
- Avon and Somerset Constabulary are currently seeking to join the partnership – subject to police authority approval of the business case in December. If successful this will be the first multi-agency shared service environment in the public sector
- The contract has been advertised as (and will be let as) a framework arrangement which can be of benefit to other agencies in the South West.
- It is envisaged that the delivery vehicle for ISiS will be a Joint Venture Company, with the founding public sector agencies being significant shareholders.

One of the key strands of ISiS is the creation of a shared service infrastructure. One of the issues common to the founding ISiS partners was recognition that, despite being well run organisations, future financial settlements required a quantum shift in resource alignment and management, including the need to improve the efficiency of the back office functions. The service areas being considered for the partnership are: human resources, finance (including procurement), ICT, property services, facilities management, design and print, customer contact and, for Taunton Deane only, revenues and benefits. Across the two councils some 800 staff are employed in these service areas and the net contract value is estimated to be £360 million over 10 years. The inclusion of police business could increase the contract value to £500 million.

The ambitions of ISiS are, however, greater than shared services. ISiS is about providing an infrastructure and capability to transform the public sector roadmap over the next decade. At the heart of the ISiS philosophy is an absolute commitment by the public sector partners to putting the customer first. That means three things

- creating a customer service infrastructure which allows easy and timely access to the widest possible range of public services – with the majority of interactions being completed at the first point of contact
- using property and IT assets as enablers across the whole spectrum of public services – including shared office accommodation and mobile working for staff and the creation of a whole range of conveniently located, multi-agency face to face contact points which, by virtue of their cross-cutting nature, will provide a more cost effective way to retain a public service presence in rural communities .
- creating a capacity and culture which puts customer need at the heart of service design and delivery and which continually seeks to improve public services

The public sector partners recognised that these ambitions would need investment, skills and capacity which they did not have. The formal procurement to secure a private sector partner was commenced in December 2005. After an initial longlisting process, three shortlisted companies were invited to submit bids. These companies are BT, IBM and Capita and the bid submission date is November 28, 2006. It is anticipated that a preferred bidder announcement will be made in the spring of 2007, with service commencement shortly thereafter.

The South West Centre of Excellence has been actively involved in the programme, initially providing advice and support funding and, latterly, agreeing funding for marketing the programme across the region.

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