Policy and Resources Select Committee

Agenda Item No: 2

3rd December 2008 – At a meeting of the Select Committee held at 10.30 a.m. at County Hall, Chichester.

Present: Mr. Britton (Chairman)

Mr. Brown  Mr. Hodgson  Mr. A.R.H. Smith
Mr. Coote  Mr. Jones  Mr. Stevens
Mr. Deedman  Mrs. Millson

Apologies for absence were received from Mr. Barrett-Miles, Mr. Catchpole, Mr. Daws-Chew, Ms. Hendon, Mr. G.K. O’Neill and Mrs. Richards.

In attendance by invitation: Mr. H.E.M. Smith (Leader) and Ms. Goldsmith (Cabinet Member for Finance and Resources).

Declaration of Interests

118. None declared. See also minute 126.

Minutes

119. Resolved – That the minutes of the meeting of the Select Committee held on 22nd October be approved as a correct record and that they be signed by the Chairman.

Forward Plan of Key Decisions

120. The Committee had before it an extract from the Forward Plan of Key Decisions December 2008 – March 2009 (copy appended to the signed minutes).

121. It was agreed that the quarterly budget monitor should be subject to an informal preview by the Committee’s Business Planning Group and Mr. Coote.

122. Tim Stretton, Chief Accountant, agreed to a request that the results of the stakeholder survey on the budget be shared with the Committee prior to its consideration of the 2009/10 budget in January 2009.

123. Resolved –

(1) That the Forward Plan be noted.

(2) That the draft quarterly budget monitor be routinely sent to members of the Business Planning Group and Mr. Coote for informal preview.

(3) That the results of the stakeholder survey on the budget be shared with the Committee prior to its consideration of the 2009/10 budget in January 2009.
124. The Committee considered a report by the Executive Director Business Services and Director Business Change (copy appended to the signed minutes).

125. An update on the fundamental service review was given in a presentation by Diane Ashby, Director Business Change (copy of slides appended to the signed minutes), which included the following points:

- Key FSR projects now underway included service line reviews, understanding customer data requirements, online service delivery, IT development and reconfiguration of the new Parkside office accommodation in Horsham.
- 300 front line staff had already been involved in service line reviews and 96 ideas had been generated, which would be considered as part of the cross County Council review in January and February 2009. 8 of the 33 reviews had been completed so far.
- Emerging themes included the need for improved information systems, more flexible service provision and co-location and standard, simplified processes.
- A blue skies event had been held for members, which had included key outputs such as the need for faster resolution to customer queries and better information tracking, better support for members and more IT training.
- A further members’ seminar would be held on 11th December to go into emerging themes in more detail. Key member decision-making stages would be in late February and in July 2009, which would include Select Committee involvement, Cabinet Briefings and the Cabinet Member Task Force on FSR. Further Select Committee involvement was planned in September 2009.

126. Mr. Deedman and Mr. A.R.H. Smith declared personal interests as members of the Cabinet Member Task Force on FSR.

127. The Committee made comments including those that follow. Members:

- Welcomed the opportunities for member involvement and highlighted the importance of all members attending seminars and events. Training of new members after the June 2009 elections would be vital. It was suggested that the Committee should receive an overarching report in October 2009, following consideration by individual service Select Committee in September 2009. The Leader agreed that the Committee needed a continuing key role in scrutiny of FSR. Ms. Ashby advised that an information bulletin would soon be sent to all members, giving those who had not attended the blue skies event an opportunity to submit ideas.

- Highlighted that a key outcome of the members’ blue skies seminar was that services should be provided in as unified a way as possible, to provide a better experience for customers.

- Asked whether cost benefit analyses were part of service line reviews and whether likely savings had been identified. Ms. Ashby reported that overall costs and long term benefits would be considered in the cross County Council analysis phase, which should include a consolidation of corporate processes. It was anticipated that £30m of savings would be realised over 3 years and work was underway to achieve the first £10m of this.
• Hoped that effective measures were now in place to inform staff about the progress of FSR and measure the response. *Ms. Ashby advised that the service line reviews with staff had not directly involved members so that staff felt able to speak openly about their ideas. Regular communications were in place for all staff and Unison representatives were being involved in the reviews. Lesley Ottery, Executive Director Business Services, advised that the staff survey results were now being finalised and that it indicated that two way communication could be improved further, through more immediate methods.*

128. Lesley Ottery, Executive Director Business Services, gave a presentation on sourcing options for service delivery (copy of slides appended to the signed minutes), highlighting issues including those that follow:

• It is important to consider all options for the supply of services to find the best form of delivery. Different types of sourcing option include in-house provision, outsourcing, shared services, joint venture, collaborative procurements, social enterprises and community interest companies. FSR would be planning how to deliver services in the future. When decisions had been made about service design, consideration would be given to sourcing options to ensure that robust decisions were made.

• In-house provision was a common method where a local authority needed to be the best in a particular market, retain its core business or the market is not competitive or mature enough. Services could be brought back in-house where appropriate. Benefits of in-house provision include direct control and the presence of a skilled workforce. It would, however, increase staffing costs and resources.

• Outsourcing could provide economies of scale and access to innovations, bringing cost reductions to local authorities. Contract management capacity was vital to properly manage outsourced services. Customer needs and costs should be truly understood before outsourcing was undertaken. The Contact Centre was an example of an outsourced service that had improved customer access. The SERCO desktop services IT contract had brought cost reductions of £600,000 to the County Council and also brought access to better information and better services to customers.

• The use of shared services was increasing between councils and other public sector organisations. Joint ventures were another way of sharing back office functions with other councils, which could help both staff and technology to move forward.

• Collaborative procurement, such as through the Central Purchasing Consortium, could provide economies of scale, but had to be properly managed.

• An example of social enterprise was the County Council’s social enterprise adult learning project, which gave a mix of learning choices and could focus on the needs of employers for a skilled workforce.

• Community interest companies (CICs) were limited companies that provide benefits to certain parts of the community. An example was the ‘for Better Tomorrows’ organisation that was now on target to revamp waste minimisation initiatives and therefore divert 80,000 tonnes of waste from landfill. It provided efficiency savings, was not-for-profit and was asset locked, potentially a good model for other services.
129. The Committee made comments including those that follow. Members:

- Agreed that it was important to consider all sourcing options, including bringing services back in-house, when defining how best to provide a service, although local employment should be encouraged rather than off-shore outsourcing. Mrs. Ottery confirmed that it was unlikely that off-shore outsourcing would be appropriate for West Sussex. She reported that every contract that came up for renewal should be fully reviewed in future, including the option of bringing a service back in-house. The Leader emphasised that the customer experience was vital and costs must be efficient, but that local employment should be created and fostered where possible. He highlighted the example of the Contact Centre providing employment in Bognor Regis.

- Highlighted that any outsourced services should be very closely managed through robust contracts and should avoid losing expertise that was better left in-house. Mrs Ottery reported that it was vital that all contracts were fit for purpose and prepared cautiously with a robust business case.

- Asked whether in-house costs of services could accurately be described in preparing business cases for sourcing services, as some corporate costs such as accommodation and people management overheads would be a factor. Mrs. Ottery agreed that it was important for managers to move from costing service units to actually costing services themselves. It was important to factor in extra possible overhead costs that may mitigate savings made through a change of sourcing arrangement. This could help to determine what level of expertise needed to be retained in-house and how some resources could be provided flexibly, sometimes through consultants for time-limited projects.

- Questioned whether Essex County Council’s recent agreement of a £5.4bn outsourcing contract would be followed. The Leader advised that it was unlikely that this would be followed in West Sussex. The Cabinet Member for Finance and Resources highlighted that FSR would provide a pragmatic and intelligent way of planning better services, learning from the experience of other councils.

- Emphasised that any difficulties in working relationships between partners should be resolved prior to any move towards closer working through CiCs.

130. Resolved – That the presentations be welcomed and that a further update be arranged on a date to be determined by the Business Planning Group.

Use of Consultants

131. The Committee considered a report by the Executive Director Business Services and Head of Procurement (copy appended to the signed minutes), which was introduced by Samantha Butler, Head of Procurement, who highlighted the following points:

- Staff substitution and agency services were methods of consultancy that substituted for staff where a permanent vacancy had not been filled.

- Project consultancy was a key method of bringing part-time, temporary expertise from the marketplace where it is not necessary to have long-term capacity in this area.

- A National Audit Office guide on identifying the need for consultants was now on the intranet, as well as the Regional Centre of Excellence guide on how
consultants determine their costs. These, together with a review of procurement currently underway at the County Council would provide a robust process for engaging consultants.

132. The Committee made comments including those that follow. Members:

- Hoped that the procurement review would consider making procurement training mandatory for all managers who could be instigating procurement activity. It was agreed that the results of the review should be submitted to the Committee upon completion. Ms. Butler confirmed that procurement capacity and capability would be considered in the review. Options such as a ‘licence to buy’ were used effectively by other councils.

- Expressed concern that the £5,000 threshold for obtaining three quotes could be too low and could therefore put off small businesses from applying due to excessive paperwork. Ms. Butler advised that there were many markets where there was opportunity for competition at this level, which could help to ensure the best value for money. This level would be considered as part of the procurement review. Administrative costs for small and medium businesses should be lowered through standardising pre-qualification questionnaires and other processes within the County Council.

- Highlighted the importance of clearly defining what consultancy costs covered, as consistency was important to ensure that comparisons with other local authorities were accurate. Ms. Butler confirmed that regional work was underway to develop a consistent reporting framework. Clear definitions were important – for example, £6.5m of the reported £14m spend on construction consultation was actually spent on contractors.

133. Resolved –

(1) That the Committee supports the direction of travel with regard to the development of best practice for the engagement of consultancy services.

(2) That the Committee asks that it receives a report on the outcome of the review of procurement upon its completion.

Cabinet Member Responses to Select Committee Recommendations

134. The Committee had before it responses to its recommendations made on 22nd October 2008 from the Leader, Deputy Leader and Cabinet Member for Finance and Resources (copies appended to the signed minutes).

135. Resolved – That the responses be noted.

Date of Next Meeting

136. The Committee noted that its next scheduled meeting would be held on 23rd January 2009 at County Hall, Chichester.
The meeting ended at 12.51 p.m.

Chairman