

From: Paul Carter, Leader of the Council
John Simmonds, Deputy Leader and Cabinet Member for Finance and Procurement
Gary Cooke, Cabinet Member for Corporate and Democratic Service
Bryan Sweetland, Cabinet Member for Commercial and Traded Service

To: Policy and Resources Cabinet Committee – 19th September 2014

Subject: **Facing the Challenge — Customer Services, Finance, HR and ICT**

Classification: **Unrestricted**

Past Pathway of Paper: N/A

Future Pathway of Paper: N/A

Electoral Division: All

Summary: This report provides an update to the Policy and Resources Cabinet Committee on the current progress of the Customer Services, Finance, HR and ICT service reviews being undertaken as part of Facing the Challenge

Recommendation(s):

The Cabinet Committee is asked to note the update.

1 Introduction

1.1 The Customer Services, Finance, HR and ICT Divisions were all included in Phase 1 of the Facing the Challenge Service Review and Market Engagement workstream. This report updates members of the Policy and Resources Cabinet Committee on aspects of the work being undertaken on both the market engagement and the service review.

1.2 The *Facing the Challenge: Phase 1 Service Review and Market Engagement Outturn Report* agreed by the County Council in May 2014 noted:

“The preferred option of the Finance, HR and ICT review is to move to an integrated service offer run with a JV partnership. Although an options appraisal has been developed for each of these services independently of each other, it became very clear early on in the market engagement exercise that greater value could be derived by considering these services, in particular the transactional functions within each of them, as a single back office “offer”. The integration of the transactional functions was already

planned by the three services involved and so this approach will be applied irrespective of whether it is provided in-house or out-of-house. As such, the three services are being taken forward as a joint review with a shared preferred option. The outcomes of the competitive dialogue procurement will be benchmarked against an integrated services cost comparator.”

- 1.3 In the same paper, the preferred option for Contact Point was to include it in further market engagement discussions around a Joint Venture partnership.

2 Current Activity

- 2.1 Support services have to make a contribution to the significant financial challenges facing the Authority and ensure overheads are reduced. There is also a need to model the services provided, whether in-house or in a Joint Venture, to be sufficiently flexible to respond effectively as the organisation changes and down sizes.

- 2.2 As a result of the Facing the Challenge County Council decision and being mindful of the need to reduce the overhead and become more flexible, work has been continuing on the three key components fundamental to the market engagement and service review:

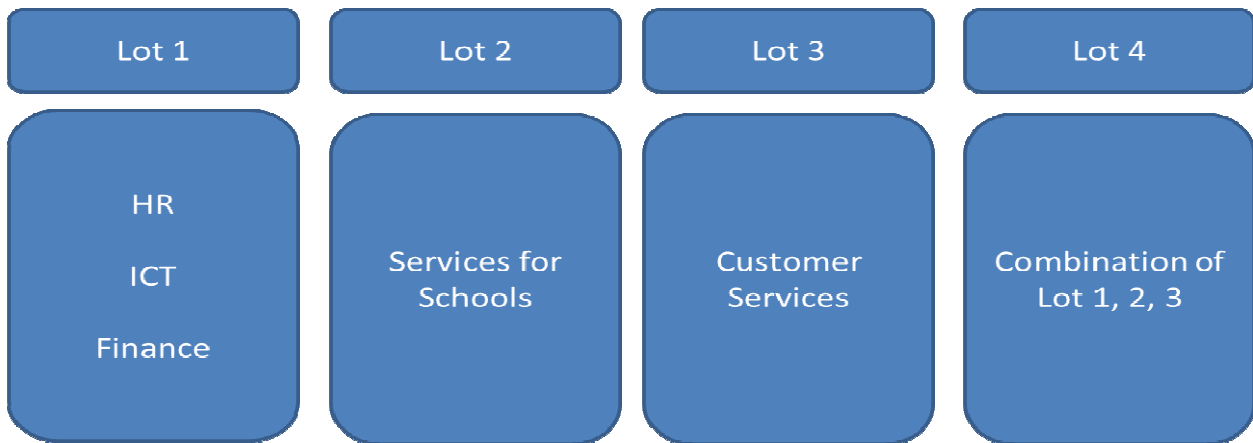
- The procurement project, which is being managed by the Facing the Challenge team
- The work on establishing the Business Service Centre which brings together transactional activities from these services into a single integrated unit. This work will deliver 2015/16 savings and the outcome will provide the internal integrated services cost comparator
- Ensuring that the three Divisions and the Customer Services function have clear and robust commissioning and client functions to enable effective management of the commissioned services, wherever they are delivered.

3 Market Engagement

- 3.1 The procurement project is being managed by the Facing the Challenge project team reporting through a project board formed of relevant service Directors and external strategic advisors.

- 3.2 The primary objective is to identify a potential solution that is better, cheaper and more profitable (where possible) than the current in-house models.

- 3.3 The services have been divided into the following Lots for procurement consideration. This report does not cover the aspects of the Services for Schools Lot (Lot 2) except as it relates to Finance, HR and ICT services.



4 Market Engagement Project Overview

- 4.1 The project has successfully completed all planned stages and remains on target.
- 4.2 The project has reached the Pre-Qualification Questionnaire stage (PQQ) where bidders will be shortlisted to go through to the next stage. The PQQ stage evaluates bidders' financial standing and examines their track record in undertaking a contract of this nature.
- 4.3 The Council received sixty-one expressions of interest against the procurement notice which was issued in June 2014. The Council has received nine formal PQQ responses from organisations that all have a strong history of providing services to local government. The organisations with which the Authority will enter competitive dialogue are as follows:



5 Competitive Dialogue

- 5.1 Following completion of the Pre-Qualification Questionnaire Stage, successful bidders will now be invited to take part in competitive dialogue (CD). Competitive Dialogue allows the Council to challenge the market to provide solutions and to discuss those solutions in light of KCC's current and future challenges, resulting in the best service delivery for Kent residents.

5.2 This process also allows the Council to understand the following:

- The total cost of the bidders proposal
- The detailed nature of the bidders' proposals
- The risk associated with each of the proposals
- The cost of transition

5.3 There will be some decisions to be made during the dialogue process which include the following:

- Duration of contract
- Payment mechanism
- Contractor incentives and penalties
- Scope
- Use of and payment of property
- Risk allocation
- Performance measures and targets

6 Project Governance

6.1 The project is governed by a Commissioning Group which is made up of the Directors for each of the Services included in the process, the Director of Transformation and external business advisors. This Group meets regularly and offers support and challenge to the process as well as allowing for any key risks or issues to be escalated and, where possible, mitigated. It is responsible for making recommendations, based on the Programme Manager's report, to the Decision Group.

6.2 The project delivery team is headed by a Programme Manager, with functional leads from each service working alongside external specialists, who offer direct support to the service leads, particularly with designing and creating the service specifications.

6.3 The Facing the Challenge team have also engaged KPMG to offer any additional advice and guidance required and, importantly, to validate the process, including the internal cost comparator, as we move through each of the milestones.

7 Milestones

7.1 The procurement project is on target to meet the following high level, key milestones

Key Milestone	Indicative Timetable
Outcome of PQQ shortlisting	End of August 2014
Competitive Dialogue	October – December 2014
Key Decision	February/March 2014

7.2 Should the Council decide to accept one of the bidder's proposals, it is anticipated that the contract would commence in May/June 2015. However,

this timetable is dependent on the completion of the competitive dialogue phase.

8 Service Review

- 8.1 The decision to establish a Business Services Centre, bringing together the transactional services provided by Finance, HR and ICT was taken by the Business Strategy and Support Directorate Management Team as a response to finding new ways to provide lower cost, improved quality, and integrated services to internal customers. It was also seen as providing a platform for maximising external income on traded services.
- 8.2 An interim Head of the Business Services Centre was appointed in April 2014 and she has been working to a Budget and Efficiency Review Board of the Service Directors and a senior representative of the internal customer base on ways to integrate and improve the service offer. She is supported by a project manager and a team made up of representatives from the three Divisions and Customer Services.
- 8.3 A number of workshops have been held with staff in the teams across the Divisions and internal customers to identify improved ways of working and the scope to do things differently. The level of staff engagement and willingness to contribute their thoughts and ideas has been strong and encouraging.
- 8.4 Staff engagement events have been held for all staff impacted, both to involve them in the Business Services Centre development and to update them on the procurement project process and progress.
- 8.5 In addition, the teams in Finance, HR and ICT not covered by the implementation of the Business Service Centre or the first phase of market engagement are also being reviewed within each Division. It is necessary for the total budgets for all the services to reduce significantly to meet MTFP targets. Action needs to be taken by the beginning of the next calendar year at the latest on implementing planned change to ensure year one MTFP savings are achieved.

9 Recommendation(s)

Recommendation(s):

The Cabinet Committee is asked to consider and note the current proposals in respect of the Facing the Challenge Review of Customer Services, Finance, HR and ICT.

Background Documents

Facing the Challenge – Phase 1 update

Contact details

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