

By: Deputy Leader and Cabinet Member for Finance & Procurement
Corporate Director of Finance & Procurement

To: Superannuation Fund Committee – 26 June 2015

Subject: **FACING THE CHALLENGE**

Classification: Unrestricted

Summary: To update on the implications for the Pensions Section of KCC's Facing the Challenge programme

FOR INFORMATION

INTRODUCTION

1. A year ago we reported on KCC's Facing the Challenge process and this report updates Members for progress made and sets out KCC's decision making process.

MARKET ENGAGEMENT

2. KCC is undergoing fundamental changes as it moves towards being a strategic commissioning Council. The Finance service review undertaken in late 2013 envisaged "transactional" services being subject to market testing.
3. Finance transactional services were included with HR and ICT, Services to Schools and Customer Contact in an EU compliant procurement process which started in the autumn of 2014 (Appendix). For all the in-scope Finance services detailed service descriptions were prepared with associated Key Performance Indicators. The Finance Lot 1 workstream is led by the Head of Financial Services and the Pensions Manager has been heavily involved. The competitive dialogue process with bidders was commenced before Christmas and extensive discussions have taken place with bidders on our requirements and their solution.
4. The process is now down to two bidders, although only one for Finance Lot 1. The final proposal from the bidder will be received in early August. KCC's evaluation and decision making process will take place in August and September with Cabinet making the final decision by the end of September. The all party Commissioning Advisory Board has already had a presentation from the suppliers and there will also be a presentation at the Policy and Resources Cabinet Committee.

5. The procurement process now has two key stages:
 - (1) Service evaluation – a line by line assessment of whether and how the solution proposed by the supplier achieves our requirement and how well.
 - (2) Financial model – does the solution deliver the overall level of savings which KCC requires.
6. The solution proposed envisages a Business Service Centre being established in Maidstone. Staff would transfer under TUPE regulations. The bidders have applied for admitted body status to the Kent Pension Fund.
7. If the bidders do not meet our service and financial requirements then the process will cease and the services will be retained in-house.
8. In the long term it has to be questioned whether provision of finance transactional services, including pensions administration, will be core business for this Council. A Kent based business center managed on a commercial basis and eventually selling services into other Councils creates opportunities for:
 - (1) Reduced costs as fixed costs can be spread over a larger client base.
 - (2) Staff development opportunities and market based remuneration for staff.
 - (3) Longer term economic benefits in the county.

A major attraction of the Lot 1 bidder is that they do not see this as a conventional outsourcing. They view it more as an acquisition which will enable them to develop a strong offering across the public sector in the UK from the Kent business center.
9. Members should be reassured that the competitive dialogue process has been a challenging one and the Corporate Director of Finance and Procurement is expecting a very high degree of assurance over the robustness of the service offering from the bidder.

RECOMMENDATION

10. Members are asked to note this report.

Nick Vickers
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Back Office Procurement Scope

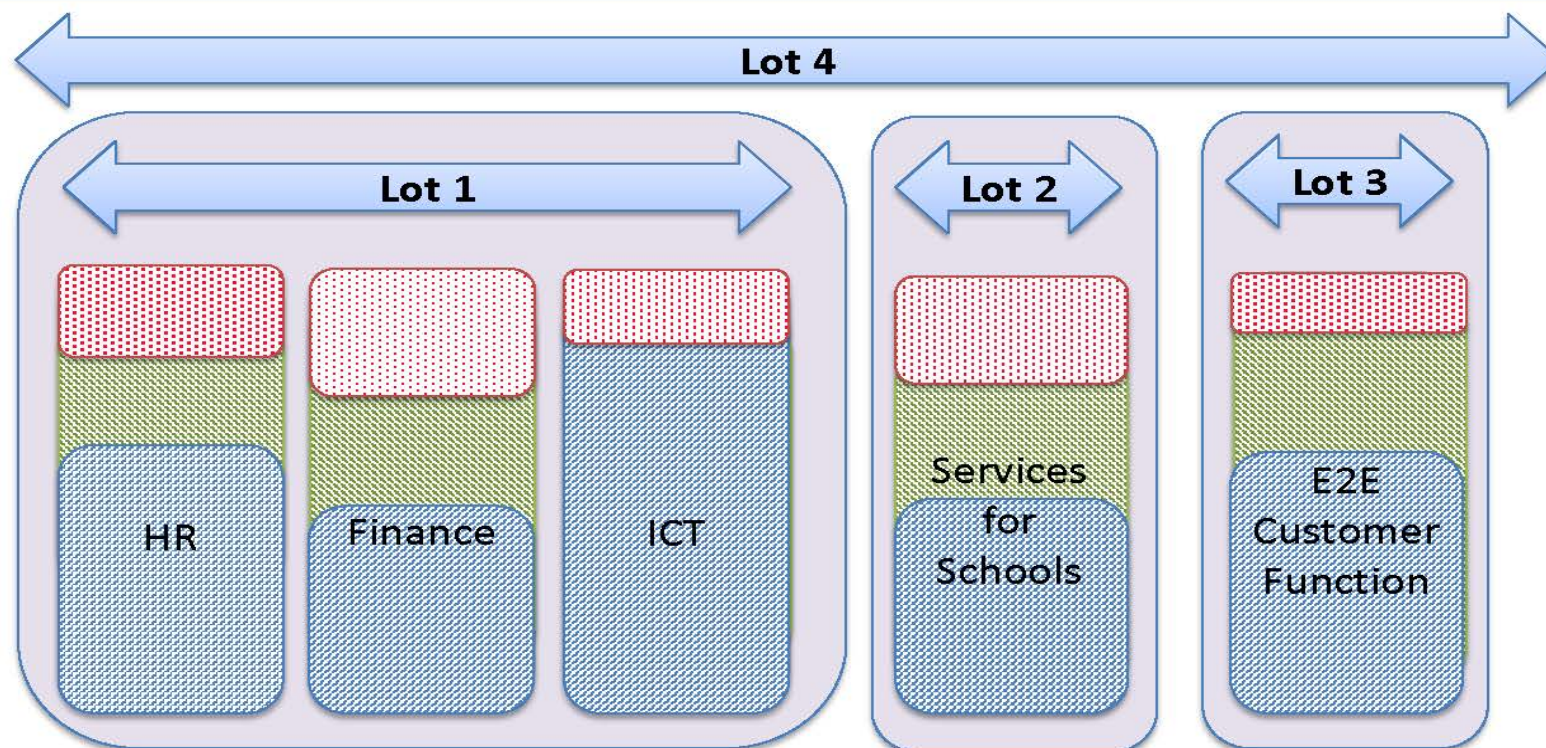


Diagram not to scale

Lot 1 = HR, ICT, FIN

Lot 2 = Services for Schools (EduKent)

Lot 3 = Customer Functions – Contact Point and Digital

Lot 4 = HR, ICT, FIN, Customer Functions, Services for Schools (EduKent)