



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Appendices

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Item No.

10

Report Title	Evaluating Ways of Delivering Services and improving Value for Money (VFM) for the Council Tax payers of Northampton
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	8 July 2009
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Management Board
Accountable Cabinet Member:	Tony Woods
Ward(s)	Non-specific

1. Purpose

- 1.1 In order to continue the Council's drive for increased value for money, efficiency and effectiveness this report seeks Cabinet's endorsement of the principle and practice of using market testing of council services as a key means to secure its aims and ambitions.
- 1.2 To seek specific Cabinet approval to undertake a comprehensive market testing exercise in relation to waste management, street care and grounds maintenance services as the first services to be subjected to market testing.
- 1.3 To seek general agreement from Cabinet to market test Council services as part of the Strategic Business Review process or as specific projects, where it is considered that the external market might provide greater opportunities to achieve savings, efficiencies and/or service improvements than in-house provision.

2. Recommendations

- 2.1 That Cabinet decides to undertake a full market testing exercise to determine the most cost effective and efficient way to deliver waste management, street care and grounds maintenance services and so improve VFM of these services for Council Tax payers.
- 2.2 That Cabinet gives its commitment to implementing the findings of this particular market testing exercise if a well defined and robust business case is established that supports this course of action, subject to paragraph 2.3 and 2.4 below.
- 2.3 That Cabinet notes that further reports will be brought forward throughout the course of this market testing exercise if key decisions need to be made.
- 2.4 That Cabinet notes that, further to paragraph 2.3 above, before any contract or tender is awarded as a result of the market testing of waste management, street care and grounds maintenance services, a report will be brought to Cabinet to seek its agreement.
- 2.5 That, subject to specific agreement with the relevant portfolio holder, Cabinet also gives its approval to the principle and practice of market testing Council services where it is considered that the external market might provide greater opportunities to achieve better value for money, efficiencies and effectiveness in service delivery, as part of the Strategic Business Review programme or as distinct projects.
- 2.6 That Cabinet notes that the Trades Unions have been informed of this proposal and that management are seeking positive and active engagement of the Trades Unions in pursuing this programme, to ensure that the proper interests of all employees, whether Union members or not are duly considered.
- 2.7 That Cabinet endorses working together with other Councils on market-testing where this enables potential mutual benefits and sharing of the costs of market-testing, as long as such joint working does not fetter future discretion by this Council.

3. Why market test?

- 3.1 It is the council's ambition to be one of the best Councils in terms of public service by 2013. Good progress towards this ambition is already being made and there are plans in place to continue to move us forward apace.
- 3.2 To fulfil this ambition we need to achieve the agreed management aims to 'provide excellent customer service' and 'make best use of resources'. However, we are unlikely to achieve either of these aims if we are not outward-looking and innovative in our approach to what we do or if we fail to recognise the need to develop robust partnerships with other parts of the public sector, the community sector and the private sector.
- 3.3 Local Government settlements have been getting tighter year on year, and in light of the recession, and accumulated public debt, are likely to get even tighter. The 2009/10 settlement for Northampton delivered only a 0.5% increase in RSG, the lowest ever. It is likely that there will be, as a minimum no increase in RSG in the

next comprehensive spending reviewed indeed it is highly likely that there may be a decrease in real terms.

- 3.4 Government support (RSG) forms only a small part of the Northampton's income. In 2008/09 Income from fees and charges, investments etc. form 50.8% for Northampton's funding. The income has substantially reduced as a result of the recession and banking crisis, and may continue to drop over the next few years.
- 3.5 There is of course a continuing need to deliver positive change in terms of both quality and cost. Indeed the emphasis on efficiencies and value for money is likely to increase still further as the public sector feels the impact of the recession and accumulated public debt.
- 3.6 The process of Strategic business reviews (SBRs) approved by the Cabinet in December 2008 will be the Council's main vehicle for addressing major areas for improvement, and delivering value for money across the all areas if the Council. SBRs, in many cases, will identify the potential benefits of a range of alternative delivery options, giving rise to the need to market test services.
- 3.7 It is likely that the market testing we undertake will focus on the private sector but, where appropriate the Council will also look to work in partnership with other Councils, commission services from the community and voluntary sectors, and consider the potential of social enterprises such as Community Interest Companies or Community Trusts.
- 3.8 As part of initiating the SBR process, the potential benefits of market testing waste management, street care and grounds maintenance services have been identified. Issues in relation to the market testing of these services are discussed in paragraph 4.1.

4. Issues and Choices

4.1 Waste management, street care and grounds maintenance services

- 4.1.1 Delivering 'safer, greener and cleaner communities' is one of the Council's top priorities. The quality of our waste management, street care and grounds maintenance services touch all residents in Northampton. They influence how people feel about where they live, work and visit and therefore have a vital role in creating local pride and fostering a sense of community.
- 4.1.2 As for all services, as well as striving to improve service quality the council also has a responsibility to ensure value for money. However, rapid change in performance and the achievement of increased value for money in line with the medium term financial strategy will be difficult to deliver without a radical review of the way we currently do things.
- 4.1.3 As part of the SBR of this area, to achieve improved waste management, street care and grounds maintenance services there are a number of programmes and projects which will be developed. The proposal to market test these services is one of these projects.

- 4.1.4 The proposed market testing exercise would be a commitment by the authority to undertake a fundamental re-appraisal of the Council's approach to the delivery of its waste management, street care and grounds maintenance services, with the implications of the project being assessed during the exercise itself.
- 4.1.5 Potentially market testing of these services could lead to the outsourcing of some or all of them and the transfer to the private sector of council assets and resources, including the TUPE transfer of council employees.
- 4.1.6 The Northamptonshire Waste Partnership has been approached by officers with the intention of obtaining commitment from neighbouring local authorities to share in this market testing, to maximise the opportunity for economies of scale and to exploit the potential to create a larger, more attractive opportunity for improvement. At this stage Daventry District Council have committed to the exercise.
- 4.1.7 Undertaking market testing in partnership with Daventry District Council or any other Council that may join in may or may not result in a shared service(s) across boundaries at the end of the exercise. There is no explicit or implicit commitment to this effect and no Council will be fettered in its consideration of available options.
- 4.1.8 The Northamptonshire Area Procurement Service are supporting the project and are releasing resources totalling two days per week to deliver and coordinate the procurement part of the market testing exercise.
- 4.1.9 Enquiries have been made to the Northampton Improvement and Efficiency Partnership to establish if financial resources can be obtained to further support the project by way of external consultants. It is understood that a commitment to implementing the outcomes of the market testing exercise will be a pre-requisite for NIEP funding.

4.2 Other services

- 4.2.1 As well as seeking agreement to market test waste management, street care and grounds maintenance services, this report also seeks general agreement from Cabinet to market test other services of the Council where it is considered that the external market might provide greater opportunities to achieve savings, efficiencies and/or service improvements than in-house provision.
- 4.2.2 Further decisions to market test other services are likely to arise in the near future as part of the Strategic Business Reviews that are starting in a number of services. Reviews have started in Information and Communications Technology (ICT), Leisure Services, and Asset Management.

4.3 Choices (Options)

- 4.3.1 The Cabinet may choose to agree the recommendations of this report and market test services in order to understand whether/the extent to which the private or other sectors are able to deliver both significant efficiencies and real service improvements, in order to gain the necessary knowledge and information about the best option(s) for delivering these services in the immediate future.

- 4.3.2 Alternatively, the Cabinet could choose to solely focus its efforts on improving performance and reducing costs of in-house services, although it is considered that it would be difficult to deliver the necessary level of savings required over the next two years if the Council choose this option.
- 4.3.3 The Cabinet could choose to approach this work without the involvement of other Councils, but this would be at additional cost and is not recommended.
- 4.3.4 The Cabinet could choose to limit the service areas to which market-testing may apply. This is not recommended as the Council should consider all options available to achieve its ambitions for improvement.
- 4.3.5 The Cabinet may consider the extent to which market-testing may be pursued by officers without further referral to Cabinet. The recommendations provide for political oversight of all market-testing by portfolio holders as they oversee the SBR's in their areas, and also requires reports back to Cabinet at all key stages.
- 4.3.6 The Cabinet could enter into market-testing without any commitment to act on the results of this testing. This is not recommended because it could potentially lead to wasted expenditure and effort, and also may lead to unwillingness from potential partners to expend effort in discussing options with the Council at risk to them.

5. Implications (including financial implications)

5.1 Policy

- 5.1.2 Proposals contained in this report are consistent with current policy on the achievement of the Council's ambitions and management aims.

5.2 Resources and Risk

Financial

- 5.2.1 The full financial implications for the authority as a whole of market-testing waste management, street care and grounds maintenance services and other services will not be known until the outcome of each exercise is complete and the preferred course of action has been agreed. However, the opportunity to achieve significant savings in some or many areas is likely to exist.
- 5.2.2 The additional cost of undertaking the market testing of waste management, grounds maintenance and street care is initially estimated at £100,000. It is proposed that this will be met from a contribution of £40,000 from the Council and £35,000 from Daventry District Council. An application for the remaining £25,000 has been made to the Northampton Improvement and Efficiency Partnership.
- 5.2.3 Market-testing Council services has the potential to achieve significant year-on-year savings for a number of services. But it will also have an immediate resource implication in areas such as procurement, legal, HR and Finance that the council will need to absorb within the priorities for officer time and the use of reserves available for the one-off costs of improvement in the budget.

Employees

- 5.2.4 The potential development of greater partnership working with the private sector, other Councils or public agencies, and the community sector, has implications for staff employed delivering services which may be affected.
- 5.2.5 The Trades Unions are being informed about this report prior to this Cabinet meeting. It is proposed that the Cabinet would endorse the need to work with all employees and the Unions to ensure that they play their full part in achieving improvement, as employees have done to date.
- 5.2.6 This means that, in discussion with the Unions, management will seek to develop processes and approaches which do everything possible to protect the proper interests of employees whilst achieving increased efficiency, effectiveness and value for money in all services.

5.3 Legal

- 5.3.1 There are a variety of legal implications arising from undertaking market testing, including issues in relation to EU procurement and TUPE regulations. These will be assessed and managed throughout the market-testing process.

5.4 Equality

- 5.4.1 There are no equalities issues directly associated with this report. Prospective suppliers will be required to comply with stringent standards in relation to equalities and diversity, including statutory provisions and council policies.

5.5 How the Proposals Deliver Priority Outcomes

- 5.5.1 The proposals contained in this report will contribute to the priority outcomes of 'safer, greener and cleaner communities' and 'a well managed organisation that puts the customer at the heart of what we do' as well as moving towards the Council's ambition and aims as agreed by Cabinet

5.6 Other implications

- 5.6.1 None.

6. Background Papers

None

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