

Bath & North East Somerset Council		
MEETING	Corporate Policy Development & Scrutiny Panel	
MEETING	11 January 20	EXECUTIVE FORWARD PLAN REFERENCE:
		E N/A
TITLE:	Outsourcing and approaches to service delivery	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report: N/A		

1 THE ISSUE

- 1.1 The Panel has asked for a briefing on the different approaches to service delivery.
- 1.2 The Panel work plan includes scrutiny of existing outsourced arrangements.

2 RECOMMENDATION

The Panel is asked to;

- 2.1 Consider and discuss the content of this report.**

3 THE REPORT

- 3.1 Local authorities can deliver their statutory and discretionary functions either through in-house arrangements or via alternative delivery models. Broadly there are four categories.
- 3.2 **Shared Services.** A collaboration between public sector bodies to deliver services or facilities. Local examples include our health and social care arrangements with the Clinical Commissioning Group, building control out of hours arrangements with North Somerset Council.
- 3.3 **Outsourcing.** Provision is secured through a contractual arrangement with either a private, public or third sector organisation. Areas that have been outsourced by local authorities include back office functions (IT, HR, Finance), customer services, property maintenance and facilities management, highways and technical services, waste, social care, leisure and culture and regulatory services.

3.4 Outsourcing to social enterprises is a popular model in some sectors such as leisure. Social enterprises are business-like organisations with social objectives. Their surpluses are mostly reinvested back into the business or community. Community asset and service transfers have in recently years become more common in response to local authority financial constraints and a desire by communities and town and parish councils to have more control over localised services. This greater community involvement is often found in library and youth services.

3.5 **Joint Venture.** This is a collaboration between two or more economically independent organisations to achieve a joint aim. This can be via a contractual arrangement or through the setting up of a new corporate entity. This is usually a long-term arrangement, with a sharing of risk and rewards. Examples of joint ventures include back office services, capital projects for schools and health and local authority backed regeneration schemes.

3.6 **New Provider.** A new public sector organisation.

3.7 It is important to note that whatever model is adopted to discharge its' functions, the statutory duty will remain with a local authority. When considering delivery options, there are two overarching aims; to support the continuation of services (including discretionary/commercial services) and to ensure value for money. The decision as to whether to continue to deliver in-house services or through another route will be dependent upon a range of factors, including:

- Understanding and clarity on what is our 'core business'
- Our priorities
- Availability of revenue and capital funding
- Our opportunity to lever in additional funding
- In-house resources, capabilities, and skill sets
- The maturity of external market/suppliers
- The attractiveness of 'our product' and how easy we are to work with
- Assessment of our ability/agility to respond to market conditions, local community needs
- Risk we are prepared to accept
- Level of control we wish to retain, relinquish

3.8 In addition to the above factors, there are pros and cons for different models of delivery. For example:

- **Outsourcing:** The rationale for outsourcing often includes the need to lower costs, achieved through economies of scale. It can be an enabler to greater focus on core services within the local authority. The advantages of outsourcing include the transfer of risk to the new provider and the procurement of sector expertise. Outcome specifications can

deliver improved services. Other advantages include the ability to change fixed costs into flexible costs and to secure access to new sources of funding and technology. Conversely, it is important to understand how an outsourced arrangement will interface with other services and how the supplier will be held accountable and maintain quality of delivery. Some of the potential disadvantages of outsourcing include the critical impact if suppliers fail and a cost for the transfer of risk to the supplier. The ability to make savings is transferred to the new organisation delivering the services. This type of arrangement requires strong contract management and staff engagement is critical from an early stage to address any concerns.

- **Joint Ventures:** The advantages to this model are that the local authority retains an element of control through profit/cost reduction arrangements. It has a greater role in shaping the future of the Joint Venture, the staff arrangements and in the development of key performance measures. These arms' length arrangements can in the long term drive down costs and ensure genuine partnership collaboration.
- **Social Enterprises:** The rationale for delivering services through a social enterprise model includes the opportunity to make savings. These arrangements can deliver a more flexible approach to operations, staffing structures, secure access to tax exemptions, other funding sources and generate greater income. This can lead to a more entrepreneurial approach and result in improved services. Conversely, the local authority needs to be satisfied on the viability of the social enterprise, its' access to working capital and relevant staff expertise. In summary, the local authority needs to be satisfied on the long-term sustainability of the social enterprise. The contracting authority does retain a level of on-going responsibility/guardianship role and retains a level of risk.

3.9 The Panel recently received a presentation from the council's Head of Strategic Procurement and Commissioning on the work of his team. The presentation included an update on Covid related procurement activity, and a high-level overview of total revenue and capital external spend during 2019/20. Around 62% of external spend in 19/20 related to health and social care, 22% to spend on buildings and 6.5% on highway and transport. The council has three large contractual arrangements (£1m + per annum). The most significant (of value) is the Virgin Care contract for community health and social care services. This contract was procured in partnership with the Clinical Commissioning Group. The contact duration is for seven years and commenced in 2017/18. There is an option to extend for 3 years. The second significant social care outsourced arrangement is with Avon & Wiltshire Mental Health Partnership NHS Trust. Outside the health and social care arrangements, the highest value contacts are with Volkerwessels UK Ltd. Volker deliver our highway term maintenance arrangements and street lighting and electrical programmes. The highway term maintenance contract commenced on 1 April 2019, the street lighting and electricals a year later.

4 STATUTORY CONSIDERATIONS

- 4.1 The council has a wide range of statutory duties. This report does not impact upon the delivery of those duties. Models of delivery (other than in-house) can result in multiple duty holders in areas such as health and safety. This is particularly relevant where assets form part of any alternative arrangement to in-house provision.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 There are no resource implications associated with this report.

6 RISK MANAGEMENT

- 6.1 Risk assessments are undertaken as part of any decision to move to alternative service provision. Risk is considered at all stages of the procurement process.

7 EQUALITIES

- 7.1 Equality Impact Assessments are undertaken as part of procurement and decision-making processes.

8 CLIMATE CHANGE

- 8.1 Social value has been enshrined for some time in our procurement processes (local jobs, supply chains etc). The council has an emerging programme of work to ensure that climate and nature emergency considerations are considered as part of future procurement arrangements or as part of any change to strategy and policy.

9 OTHER OPTIONS CONSIDERED

- 9.1 This report is for information and discussion.

10 CONSULTATION

- 10.1 Not required for this report.

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Background papers	Council Papers of 10 November 2016, Item 52 'Your Care, Your Way', Business Case (Decision to appoint Virgin Care) https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=272&MId=4529&Ver=4
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