



OVERVIEW AND SCRUTINY COMMITTEE

Wednesday, 7th March, 2012

7.00 pm

Town Hall, Watford

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CONTACT

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COMMITTEE MEMBERSHIP

Councillor M Watkin (Chair)

Councillor S Rackett (Vice-Chair)

Councillors N Bell, S Greenslade, K Hastrick, P Jeffree, S Johnson, R Martins and K McLeod

AGENDA

PART A - OPEN TO THE PUBLIC

9. **THE WAY AHEAD FOR COUNCIL SERVICES TASK GROUP - REPORT** (Pages 1 - 22)

This report asks Overview and Scrutiny Committee to review and endorse the Task Group's recommendations.

Agenda Item 9

*PART A

Report to: Overview and Scrutiny Committee
Date of meeting: 7 March 2012
Report of: Head of Legal and Property Services
Title: The Way Ahead for Council Services Task Group Report

1.0 **SUMMARY**

- 1.1 This report asks Overview and Scrutiny Committee to review and endorse the recommendations set out in the draft report from the Way Ahead for Council Services Task Group, attached as Appendix 1 to this report.
- 1.2 The Overview and Scrutiny Committee, having the same membership as the Task Group, is also asked to agree the minutes of the Task Group meetings on 9 February, 22 February and 27 February.

2.0 **RECOMMENDATION**

- 2.1 that the Overview and Scrutiny Committee reviews and endorses the Task Group recommendations.
- 2.2 that the Overview and Scrutiny Committee agrees the minutes of the Task Group meetings on 9 February, 22 February and 27 February.

Contact Officer:

For further information on this report please contact: Sandra Hancock,
Committee and Scrutiny Officer
telephone extension: 8377 email: legalanddemocratic@watford.gov.uk

Report approved by:

3.0 **DETAILED PROPOSAL**

- 3.1 The detailed proposal is as set out in Appendix 1.

Appendices

Appendix 1 – Draft report of the Way Ahead for Council Services Task Group

Background Papers

The background papers to the review are as set out in the bibliography to the report.

File Reference

None

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THE WAY AHEAD FOR COUNCIL SERVICES TASK GROUP

**A REPORT OF THE OVERVIEW AND
SCRUTINY COMMITTEE**

MARCH 2012

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The Way Ahead for Council Services Review

1. Introduction

- 1.1 At the meeting of Overview and Scrutiny on 24 November 2011 a request was made by the Managing Director for a scrutiny review to be undertaken to look at future service delivery options and their effect on democratic accountability and the culture of the Council.
- 1.2 The purpose of review would be to assess cultural and governance issues associated with alternative service delivery options and in particular, outsourcing.
- 1.3 It was agreed that the significance of the topic warranted the participation of all the councillors on the Overview and Scrutiny Committee.
- 1.4 The membership of the Task Group is as follows: Councillor Watkin (Chair), Councillor Rackett (Vice Chair), Councillor Bell, Councillor Greenslade, Councillor Hastrick, Councillor Jeffree, Councillor Johnson, Councillor Martins and Councillor McLeod.

2. Summary of findings

Democratic accountability for non-executive councillors is vital; Members want to be able to influence and have oversight of services strategically as well as being able to intervene when there are problems. Governance arrangements need to be built into contracts and considered as part of service delivery planning. Scrutiny has a key role to play through ongoing monitoring of performance indicators and individual service reviews.

There is not one service delivery solution that should be pursued for all services, nor should any model be completely ruled out. The Council already delivers services in a variety of ways and the service delivery decisions have been taken on a case-by-case basis. It is not easy to compare the experiences of other councils due to the differences in culture, political make-up, governance and residents, however, broad lessons could be learnt.

3. Recommendations

- 3.1. That the service delivery toolkit which is attached at Appendix A be adopted as part of the process of reviewing options for and deciding on service delivery. A full explanation of this is found in 5.5 of this report.
- 3.2. That there should be greater non-executive scrutiny of outsourced contracts. A politically balanced panel should be established to scrutinise all outsourced services on a regular basis. The panel would be a sub-group of the Overview and Scrutiny Committee.

- 3.3. That the Overview and Scrutiny Committee review the performance indicators that are reported to them and decide whether the Committee should receive any further indicators.

4. Scope and method of review

- 4.1 The scope was agreed at the first meeting and the full scope is attached at Appendix B.
- 4.2. The Task Group held five meetings in January and February 2012 with the agenda as follows:

Date	Agenda
10 January 2012	Introduction and review of scope and work programme
7 February 2012	Presentation by the Executive Directors on existing service delivery
9 February 2012	Review of different service delivery methods
22 February 2012	Discussion of political accountability in different models
27 February 2012	Conclusions and recommendations

- 4.3 The Task Group also consulted other councils through a written survey to the authorities in Watford's CIPFA Nearest Neighbour group, other Hertfordshire districts and a handful of other councils who were pioneering innovative service redesign. The questionnaire is attached to this report at Appendix C.
- 4.4 The Chair and the Vice Chair of the Task Group visited a district council which also operated shared services and had brought an outsourced waste and recycling service back in-house.

5. Findings and conclusions

5.1. *Planning for future service delivery*

Background

- 5.1.1. Watford Borough Council currently delivers services in a variety of ways responding to different service needs.
- 5.1.2. Although particularly important in the current climate, this review was not primarily concerned with the economics of service delivery but the political and cultural implications and how Members retained democratic influence. There are various responses to the new economic reality and it is the role of Members to ensure that there is democratic accountability.

5.1.3. Watford Borough Council operates the Mayor and Cabinet system of governance. There are no longer committees for each service but scrutiny provides a role for non-executive councillors to engage with performance and policy development.

The views of the Task Group

5.1.4. There was a clear conclusion that there is not a single solution which is suitable for all services. Each service needs to be considered on a case-by-case basis.

5.1.5. Members of the Task Group hold different views about how services should be delivered.

5.1.6. Some had no particular ideology which would lead them to prefer one delivery model over another; each service should be benchmarked and the model which provides the best outcomes should be chosen.

5.1.7. Others favour keeping high quality and good value services in-house. When there is a need or opportunity to reduce costs sharing services is preferred to outsourcing. Outsourcing is viewed as appropriate for specialist, technical and/or poor performing services when neither of the first two options can be justified.

Factors to be considered

5.1.8. There are a number of factors that should be taken into consideration in the process of planning service delivery. These are a summary of some considerations which have informed the service delivery toolkit outlined in 5.5.

- Customer service- how the service engages with residents and internal customers within the Council
- Democratic accountability- how Members engage with the service
- Relative cost
- Flexibility for change- how easy it is to change the terms of the contract or service
- Flexibility for cross-functional working- i.e. how easily would the service provider assist with work that is not necessarily part of the remit.
- Relative performance- how the service performance could be kept in line with what the Council expects
- To what extent the Council can influence the service.

5.1.9. It is recognised that a more flexible service and contract that places greater demands on the service provider is likely to be more costly.

5.1.10. Discussions with other local authorities demonstrated the need for a designated contact point for councillors for all services. This was particularly true for lead authority shared services where the council is not the service provider.

5.2. Outsourcing

Background

- 5.2.1. The Council already outsources a number of different services. These include the leisure centres which are managed by SLM, the Colosseum which is managed by HQ Theatres and the parking service which is managed by Vinci.
- 5.2.2. The Executive Director- Services gave evidence to the Task Group and explained the process for how these existing services had come to be outsourced. She also outlined the ways that the risks had been minimised and the lessons that had been learnt in the process.

Risks

- 5.2.4. There seemed to be a number of risks associated with outsourced services that would need to be considered in any future service redesign.
- 5.2.5. One suggested difference between the existing outsourced services, and other services, such as street cleansing, is that with the leisure centres the capital assets are owned by the Council and the contractor manages the operations. However, if a service such as street cleansing were outsourced the Council would provide the staff but may have less control over investment in capital assets.
- 5.2.6. Discussions with another district council about why their waste service was outsourced and then brought back in-house demonstrated the importance of flexibility in outsourced contracts. The concerns about the outsourced service were not due to quality but in order to have the flexibility needed to maintain the service the council had to pay extra charges. This may be a useful lesson in ensuring the contract is well-written as the council would be locked in to the contract for a number of years. The outcome could be that money is saved at first but as extra costs were added the contract could become more expensive.
- 5.2.7. In certain areas the Council may not be best placed to provide specialist services. An example of this that was cited is the leisure centres; the Council is a generalist organisation and may not have, for example, the market knowledge and the buying power that SLM do. This could also include ICT, where it was not easy for councils to keep up to date in a fast-moving world.
- 5.2.8. This need for economies of scale can be balanced against the risk that if a service is put out to competitive tendering it could be cheaper but the service provided could be worse and/or less responsive to changing demands.

Governance

- 5.2.9. It was suggested that most of the monitoring role remained at officer and portfolio holder level and the connection between non-executive councillors and the service provider is not visible enough.
- 5.2.10. SLM had been invited to the Call-in and Performance Scrutiny Committee in 2010/11 to discuss their performance. However, one-off scrutiny committees were considered to be quite a 'heavy instrument' to ensure contractors were accountable. A more informal way of ongoing overview might be preferred and could be built into any new contracts.
- 5.2.11. Any future monitoring of outsourced services by non-executive members could include performance indicators and supporting information from such sources as complaints logs.
- 5.2.12. There is a need for a politically-balanced, permanent sub-group of the Overview and Scrutiny Committee tasked to monitor the performance and outcomes of any outsourced services.

5.3. Shared services

Background and lessons learnt

- 5.3.1. Watford Borough Council currently shares four services with Three Rivers District Council. The shared services are Human Resources, ICT, Revenues and Benefits and Finance.
- 5.3.2. The Executive Director- Resources gave evidence to the Task Group about how these shared services came about. When the discussions took place about how these services could be delivered, there was a clear preference for in-house shared services. The rationale for this was to enable the councils to keep any savings that were identified.
- 5.3.3. A number of lessons had been learnt from the existing shared services. These included appointing a Head of Service for a shared service as quickly as possible and ensuring adequate audits and due diligence of the services of all the councils involved are undertaken beforehand.
- 5.3.4. Despite both Watford and Three Rivers being Liberal Democrat majority councils there had been cultural differences to overcome. This may be a consideration to be borne in mind for any future shared services with any council.
- 5.3.5. There had been, at times, duplication of management structures and instructions with the existing shared services. For example, the Executive Director- Resources has direct responsibility for ICT and HR and her counterpart at Three Rivers has direct responsibility for Revenues and Benefits and Finance. In practice, if there is an issue to address with Finance or Revenues and Benefits the Executive Director

is asked to follow up and resolve it, even though she is not the responsible director. This can result in duplication of management instructions to the Head of Service.

Future Shared Services

- 5.3.6. For any future shared services, the lead authority model was preferred by officers. This model, where one council provides the service for other councils, would give greater clarity to who is responsible for delivering the service, the management structures and who is the client.
- 5.3.7. In any future shared services, particularly in the lead authority model, there would need to be clear lines of communication and accountability to councillors, especially if Watford was not the lead authority in a partnership.
- 5.3.8. The existing shared services are overseen by the Joint Shared Services Committee which comprises three councillors from each authority. When shared services were being set up in 2007, both Councils were advised by the legal firm Eversheds to produce the Joint Committee agreement. They had felt that six councillors was an appropriate number for the size of operation based on their experience of establishing joint committees.
- 5.3.9. A view was expressed, however, that the Joint Shared Services Committee does not provide adequate representation for all the political groups on the Council. It was suggested that any future Shared Services Joint Committee be sufficiently large to allow all political parties to be represented.

5.4. Review of the Portfolio Holder Policy Statement

- 5.4.1. The Portfolio Holder Policy Statement reflects the challenges that the Council faces and the vision for the way forward.
- 5.4.2. There may be a need for the statement to have less jargon and include a summary phrase of what the Council is trying to achieve.
- 5.4.3. A statement could be added as follows: "We must all find ways to work which are simpler, provide better services and deliver them more cheaply. Simpler. Better. Cheaper."
- 5.4.4. The Statement refers to the "Big Topics Consultations" and consultations with users. These should be expanded to involve all non-executive councillors.

5.5 Service delivery assessment tool (Appendix A)

Concept

- 5.5.1. The driving concept behind the service delivery assessment tool (or matrix) that certain delivery methods may be more suited to some services rather than others.
- 5.5.2. Services will be assessed using a number of criteria. Some services particularly require greater flexibility whilst cost or technical expertise may be the overriding factor in other services. In the matrix these will be graded and weighted and then each service delivery method will be risk assessed. For example, if flexibility is considered to be very important for a particular service then in-house delivery might be identified as the lowest risk option.

Proposed use

- 5.5.3. There are different stages in a service review when the toolkit could be used.
- 5.5.4. This toolkit could be completed by officers as part of the process of reviewing a service at the same time as an Outline Business Case. Undertaking the exercise at this stage is intended to aid Members and officers in deciding which route to take.
- 5.5.5. In addition, the toolkit is also intended to be used when the final decision about service delivery is taken and all the bids are compared.
- 5.5.6. The toolkit would always be accompanied by a commentary elaborating on the risks and weightings shown in the matrix.
- 5.5.7. The toolkit addresses the key areas of concern to the Task Group, however there is a recognition that it may be improved with input from officers and Cabinet Members.

5.6 Views of the community

- 5.6.1. Residents' views are very important in deciding how services were delivered. From other councils' experiences, residents seem to be more concerned with cost and quality than whether the service is in-house or externalised.
- 5.6.2. The questionnaires to other authorities had demonstrated that in general there had been little reaction from the councils' residents about the changes in service delivery. Some respondents noted that their residents noticed an improved level of service.
- 5.6.3. The review of the budget survey in 2010 showed that 79 percent of respondents were in favour of more shared services.

5.6.4. There are some services that seem to be higher profile and more important to the community than others. There is perhaps a difference between the public-facing services such as waste and recycling and the internal services such as finance. Councillors tend to have less contact with residents over leisure centres which are outsourced than they do about waste and recycling, which is delivered in-house.

5.7. Future work of the Task Group

5.7.1. At the meeting of Cabinet where this report is considered, a decision will be made about whether the Council should test the market for external delivery of certain services.

5.7.2. Should the decision be made that the Council will test the market, it has been agreed with the Executive Director- Services that there will be further opportunities for the Task Group to input into the decision-making process.

5.7.3. It is anticipated that this role would be to scrutinise the contract documents including the service specification at a meeting in June 2012.

5.7.4. Later in the year, probably December 2012, when final decisions may have to be made, this Task Group will be consulted for its views

Acknowledgements

The Task Group would like to extend their thanks to the Executive Directors for their input and all the councillors and officers from other councils who assisted with this review.

Appendix A- Service delivery toolkit

Service Delivery Assessment tool										
Service:										
Categories										
	Priority for service: H, M, L	Weighting: H, M, L	Risk rating: H, M, L							
Financial	Critical performance criteria									
	Capital cost			In-house	Shared service	Outsource - private sector	Outsource public sector	Other - specify:	Notes	
	Revenue cost									
	Value for money									
	Initial change cost									
	Ongoing change cost									
	Potential for revenue generation									
	Financial risk									
	Social/political	Technical delivery								
		Industry knowledge								
		Continuity of knowledge								
		Staff loyalty								
		Operational flexibility								
Customer service - internal										
Customer service - external										
Executive control										
Political accountability - Executive										
Political accountability - Non-Executive										
Reputational risk to the Council										
Social risk										
Political risk										
Environmental	Environmental Resources used									
	Energy used									
	Waste generated									
	Recycling level									
Environmental risk										

Appendix B

Scrutiny Review – Scope

Proposer: Councillor/Officer Manny Lewis	
Title	Watford Council – the way ahead
Topic for scrutiny:	<p><u>Overview</u> A study into ‘where the public sector is in the current economic climate’. The review is to look at the various options for the delivery of council services –</p> <ul style="list-style-type: none"> ● In-house ● Outsourced ● Third sector delivery ● Shared Services <ol style="list-style-type: none"> 1. To review the best practice already carried out by other local authorities. 2. To identify any risks, disadvantages and advantages of each method of delivery. 3. To consider authorities who have successfully outsourced front line services and support services like ICT and Property management, identifying savings and or improved service delivery achieved and their impact in political terms on local accountability and service delivery. 4. To consider other authorities who have outsourced a service and then taken it back in-house. <p><u>Details</u> The Future Council roadmap envisaged Overview & Scrutiny Committee playing a role at this point of the process to:</p> <ol style="list-style-type: none"> (1) Review the Policy Statement and add any questions or issues it wishes to see addressed;

	<p>(2) Help assess the <u>cultural</u> and political change issues the Council will have to consider if it adopts an outsourcing option for a wide range of services. This would involve understanding:</p> <ul style="list-style-type: none"> • The governance issues for members; • Democratic accountability including how to intervene when members are dissatisfied (a service delivery problem in a ward for example) and powers to shape the direction of the service • How to learn from the experience of other authorities; • How to learn from the experience of successful changed delivery of service through the Housing Trust, SLM and shared services • How to influence externalised services through the existing channels of the Mayor, Cabinet, Portfolio Holders, Full Council; • How to secure results based on outcomes rather than a deeply specified approach. • How the democratic process would work when the Council is not the service provider • What the impact of service design might be on the community.
Why has this topic been recommended for scrutiny?	This review will help the Council in its future organisation and how services can be delivered providing value for money and meeting the needs of its community.
What are the specific outcomes the proposer wishes to see from the review?	A consideration of the political impact of each of the various options.
Does the proposed item meet the following criteria?	
It must affect a group or community of people	It has the potential to affect all Watford residents and businesses
It must relate to a service, event	It relates to all Council services

or issue in which the council has a significant stake	
It must not have been a topic of scrutiny within the last 12 months	This subject has not been covered.
It must not be an issue, such as planning or licensing, which is dealt with by another council committee	Confirmed.
Does the topic meet the council's priorities?	<ol style="list-style-type: none"> 1. Improve the health of the town and enhance its heritage 2. Enhance the town's 'clean & green' environment 3. Enhance the town's sustainability 4. Enhance the town's economic prosperity and potential 5. Supporting individuals and the community 6. Securing an efficient, effective, value for money council 7. Influence and partnership delivery
Are you aware of any limitations of time or other constraints which need to be taken into account?	Feedback to be ready for Cabinet in March 2012.
Does the topic involve a Council partner or other outside body?	There is the potential to involve WCHT and/or SLM to learn from their experiences.
Please complete the 'sign off' section at the end of this document	

The following section to be completed by Democratic Services			
Consultation with relevant Heads of Service <i>(this section to be completed by Democratic Services)</i>		<i>It is important to ensure that the relevant service can support a review by providing the necessary documents and attending meetings as necessary. The Head of Service's comments should be obtained before the request to hold a review is put to the Overview & Scrutiny Committee.</i>	
Has the relevant Head of Service been consulted?		Suggestion by Managing Director.	
Is this a topic which the service department(s) is able to support.		N/A	
When was the last time this service was the subject of a scrutiny review?		Never	
Scope Sign off			
Councillor/Officer	Date	Head of Service	date

Appendix C- Questionnaire to other authorities

Questionnaire to other local authorities on service delivery

Members from Watford Borough Council are considering the shape of future service delivery, in particular, the advantages and disadvantages of different models of service delivery and the effects on governance and cultural change on the Council.

We would be grateful if you could take a few minutes to fill in the questionnaire below to tell us about the experiences. Many thanks in advance for your time.

If you would like a copy of the final report please let us know.

1. Name of local authority:

2. Disregarding in-house delivery, are any of the services in your authority delivered in the following ways:

- | | | |
|----------------------------------|-----|----|
| a) outsourced | Yes | No |
| b) shared services | Yes | No |
| c) delivered by the third sector | Yes | No |
| d) Other- please specify: | Yes | No |

If you answered no to all of questions 2a) to 2d), please answer questions 3 and 4. If you answered yes to any of questions 2a) to 2d) please move to question 5.

3. Have other service delivery options been considered? Yes No

4. If yes, why did you not proceed with any of these options

Thank you for taking the time to complete this questionnaire. There are no further questions.

5. Which services are involved in the following service delivery methods and who are they provided by?

Delivery method	Service(s) involved and service provider
-----------------	--

- a) outsourced
- b) shared services
- c) delivered by the third sector
- d) other

6. When was the decision taken to deliver services in this way?

7. What are the main benefits for the Council with this form of service delivery?

8. What are the main challenges for the Council with this form of delivery?

9a) For those services that are not delivered in-house, what governance arrangements are in place to give councillors a role in the strategic direction of the service?

9b) What structures are in place to ensure councillors can intervene if there appears to be a problem?

10a) Has there been any reaction from the local community on the concept of the new service delivery arrangements? Please describe.

10b) Has there been any reaction from the local community on the delivery of the service under the new arrangements? Please describe.

11. What would your authority do differently or repeat in future service redesign?

12. Any other comments

Thank you for taking the time to complete this questionnaire. There are no further questions.

Appendix D- Themes in the responses to questionnaire

How services are delivered

- Almost all the councils which responded had already outsourced and implemented shared services
- Councils have outsourced a variety of inward-facing services including ICT, Print, CCTV and other software systems
- The main outsourced customer-facing services were refuse and street-care services and leisure centres
- Shared services have been implemented across a variety of different services. Adur and Worthing share all services apart from those which are outsourced.
- Partnership working across a number of councils was noted by a number of respondents as a way of delivering services
- A number of the councils had implemented these alternative forms of service delivery some time ago.

Benefits and challenges

- Financial savings, improved service delivery and resilience were frequently cited as benefits of alternative service delivery.
- A variety of different challenges were highlighted with alternative service delivery.
- For Members to retain strategic direction of services, councils cited the establishment of management boards, contract management processes and the existing governance arrangements (Cabinet and Scrutiny).
- If there appears to be a problem, existing governance arrangements are used as well as the measures built into the terms of the contract
- There had been little reaction from the councils' residents about the changes in service delivery. Some respondents noted that their residents notice an improved level of service.
- When asked what they would have done differently, a number of respondents cited governance as a key issue with other important areas mentioned.

Appendix E- Minutes from the Task Group's meetings
To be appended when agreed

DRAFT

Appendix F- Bibliography

- Report of the Managing Director to Overview and Scrutiny in November 2011
- An extract from 'Future Councils: Life after the Spending Cuts' , New Local Government Network
- Think Twice- The role of elected Members in commissioning, Unison, APSE and LGiU
- Case study on Adur and Worthing, Improvement and Efficiency South East
- Information on Selby Council from their website
- An introduction to the Integra waste partnership in Rushmoor
- Introduction to the Co-operative Council at Lambeth
- Extract from Avoiding the road to nowhere: Transforming front-line services through efficiency and innovation, APSE
- Extract from 'Insourcing: A guide to bringing local authority services back in-house, APSE
- 'Adur and Worthing: A Members' Perspective' Improvement and Efficiency South East
- Browne Jacobson Shared Services survey 2011
- Survey on outsourcing, Local Government Chronicle
- Case study on Slough Council's waste and recycling service, Enterprise Ltd
- Extracts from Watford Borough Council's Budget Survey 2010
- Extract from 'Future Council', Essex County Council