

# WEST DUNBARTONSHIRE COUNCIL

## Report by the Chief Executive

Council: 31 August 2011

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**Subject: Clyde Valley Community Planning Partnership – Options for Shared Services**

### **1. Purpose**

- 1.1** The report provides Members with information on progress made by the Clyde Valley Community Planning Partnership (CVCPP) approach to generating options for sharing services.
- 1.2** This report also seeks the views of Members as to the position of West Dunbartonshire Council in relation to future participation of the Council in the options being generated.

### **2. Background**

- 2.1** The CVCPP in March 2009 commissioned Sir John Arbuthnott to review options for services which may be shared across the Clyde Valley area with a view to generating efficiencies in the provision of services. A report was produced in November 2009 and at Council on 27 January 2010 agreed to take part in further more detailed analysis of:

1. An integrated health and social care service;
2. An integrated waste management approach; and
3. Developing a joint approach to the back office.

These developed into 4 separate areas of work as follows:

1. Waste Management;
2. Social Transport;
3. Health and Social Care; and
4. Support Services

- 2.2** Following initial fact-finding and Outline Business Case development by the CVCPP, Council agreed on 27 January 2011 to continue to take part in the further development of detailed business cases in relation to the above 4 service areas with a report to come back to Council for consideration at a suitable time. This report provides Council with further information to allow consideration of these 4 service areas. Two of the four areas have developed detail business cases, one being published (Support Services) and the other (Waste Management) still in draft form. The other two areas have continued to generate additional work and develop approaches to sharing services and making better use of resources in joined-up ways.

### **3. Main Issues**

#### **3.1 Waste Management**

**3.1.1** The compilation of the detailed business case for this service area has been lead by North Lanarkshire Council and this has reached a draft stage. The Clyde Valley Shared Service workstream reviewed opportunities in waste services to provide a shared solution for future waste disposal options across 8 authorities. South Lanarkshire Council have withdrawn from this workstream at this time leaving 7 authorities participating.

**3.1.2** The Clyde Valley authorities manage approximately 855,000 tonnes of waste per annum of which West Dunbartonshire produces 48,550 tonnes. The costs associated with waste management in the Clyde Valley, is £113million per annum, of which £63million relates to the collection of waste and £50million to the disposal of waste.

**3.1.3** At a Council meeting of January 2011, the Council considered 3 options in the outline business case. The 3 options being:

1. Status Quo;
2. Collection, treatment and disposal; or
3. Treatment and disposal only.

The Council agreed to participate in the development of a detailed business case dealing with waste treatment and disposal only.

**3.1.4** A detailed business case has been developed and the proposals arising from this detailed business case were to establish a Clyde Valley waste organisation modelled on a corporate (public/public) model. The responsibilities of this organisation would be:

- Procure contracts for the treatment and disposal of waste;
- Operate civic amenity sites;
- Procure fleet and other major infrastructure relating to waste disposal;
- Develop a joint waste strategy; and
- Have managerial control with regards to budget, staffing, contracts and assets relating to waste disposal.

Within this detailed business case, there are a number of assumptions included, based on 2009/2010 recycling/waste diversion performance and waste arising.

There have also been assumptions regarding the suggested future disposal costs for residual waste and the transport costs associated with delivering West Dunbartonshire's waste to any new waste treatment plant. These assumptions require to be reviewed and at a meeting with the Lead Authority project team on 19 August 2011 it was made clear that there was a requirement to review the assumptions used in the draft business case to reflect operational and performance improvements achieved during 2010/11.

The project team intimated that work on this was currently underway and that it is anticipated that as a result timelines will need to be revised with a revised final business case expected by October 2011.

### **3.1.5 Waste Management Summary**

As a result of the latest information regarding a significant review of the assumptions used in generating the detailed business case it is too early to make a decision on whether West Dunbartonshire Council should participate in the CVSS operating model.

## **3.2 Social Transport**

**3.2.1** The Clyde Valley Shared Service workstream reviewed opportunities in Social Transport Services to provide shared solution for future social transport options across the 8 authorities. Social transport is delivered by 3 departments within the Council, HEED, CHPC and Educational services. The services provided include the transportation of children with special educational needs, older people and adults with learning/physical disabilities.

**3.2.2** At the Council meeting of January 2011, the Council considered 3 options in the outline business case:

1. Joint programme of efficiency/service improvement;
2. A single shared service model – joint committee; or
3. A single shared service model – Special Purpose Vehicle (SPV).

Council agreed to further progress work on option 1 based on shared planning, ICT based scheduling and ICT based booking.

**3.2.3** The proposals arising from the outline business case were for further action to be explored to develop a joint programme of efficiency and service improvement, based on a partnership approach.

**3.2.4** Taking this forward a more detailed analysis of the high level benefits identified by the Group, involving dealing with 2 separate workstreams:

- A live exercise with Strathclyde Passenger Transport (SPT) which involved the scheduling and planning of social work daycare centres, transport provision within 2 authorities as a pilot scheme; and
- Undertaking a detailed scheduling exercise with all authorities, scheduling client runs using SPT software to develop more efficient utilisation of staff and vehicles.

**3.2.5** At this point in time these pilot schemes are still underway and West Dunbartonshire has provided information as part of the data collection exercise on social work client trips and will provide education client trips for 2011/12. From this data collection exercise, modelling will take place that will show any potential savings/efficiencies.

**3.2.6** At this point in time it is not possible to quantify the savings that could be derived from this project.

**3.2.7 Social Care Transport Summary**

The approach being taken has the potential to identify efficiencies for the Council in the future. Council should therefore continue to participate in the Clyde Valley shared service social transport workstream at this time and bring a further report to Members once the detailed modelling and potential efficiencies are fully identified.

**3.3 Health and Social Care**

**3.3.1** Renfrewshire Council have been leading the ongoing review of options for shared services within Health and Social Care and have developed approaches in relation to the following, though there has been no detailed business case developed.

**3.3.2 Procurement**

Work has progressed in developing a shared route to procuring future provision for external services in relation to the key procurement areas being targeted relate to Childcare, Adult Care and Older People Care Home places.

In relation to Childcare the partnership are currently taking part in national and Clyde Valley wide procurement exercises for Fostering Agency provision, Secure Care and Residential Schools, supported by Scotland Excel.

For Adult Care services the focus has been on internal benchmarking of service prices across the Clyde Valley area in order to highlight potential for reducing unit costs through negotiation with external providers.

Older People's residential care provision is priced via the National Care Home Contract which CoSLA leads on behalf of all Councils in Scotland.

**3.3.3 TeleCare/TeleHealth**

The main area of progress in this area relates to work being taken forward by Scotland Excel on the development of a National Framework contract for the procurement of telecare equipment, which is currently being developed. Options in relation to potential for joint call-handling systems/centres are progressing slower due to technology issues arising from different systems in use.

**3.3.4 Shared Training and Development Proposals**

This particular workstream has developed opportunities for cross-agency e-learning initiatives, which are now being developed on a common delivery platform.

Opportunities in relation to behaviour management training remain under development and consideration as to options and implementation methodology and will involve several partners deciding to change which regime they use with some potential transitional difficulties.

In relation to SVQ training West Dunbartonshire Council outsourced this provision around 4 years ago and the other partners are currently developing a process to share in-house training provision. Based on initial costings it is expected that this will not provide any further savings for West Dunbartonshire.

### **3.3.5 Adult Care**

The Council agreed, on 14 October 2010, to adopting savings options in this area valued at £975,000 over 2011/12 and 2012/13. This along with a management adjustment of £125,000 comes to a significant expectation of efficiencies within the Council.

The approach to achieving these efficiencies is very similar to the approach being implemented via the CVSS and care was taken not to count these efficiencies twice.

There is, however, a benefit arising from being part of the CVSS process as wider ranges of information on care provision prices are available allowing negotiations with care providers to be targeted. In addition the CVSS has continued discussions with the major care providers to attempt to generate a partnership approach to reducing costs with the aim of providers looking at shared models of care and management. These will support the approach taken by the Council.

### **3.3.6 Health and Social Care Summary**

Work in this area remains mainly aimed at generating efficiencies through: working as a partnership to procure services at lower cost through benchmarking and negotiating with providers; co-operating with providers to reduce cost through more efficient management and organisation of care packages through sharing of resources; shared procurement activity; and through changing the way in which training is provided. Much of this work is complementary to the approach which is reflected in the Council decision to reduce Housing Support costs on 14 October 2010. It is therefore not expected that the CVSS approach will have significant direct short to medium term financial benefits to West Dunbartonshire Council though it is recommended that the CHCP should continue to take part in the CVSS activities. At present the CVSS approach has no direct effect on Council employees, being focused on external provision.

## **3.4 Support Services**

**3.4.1** This project has been lead jointly between Renfrewshire and Inverclyde Councils and has recently published a detailed business case.

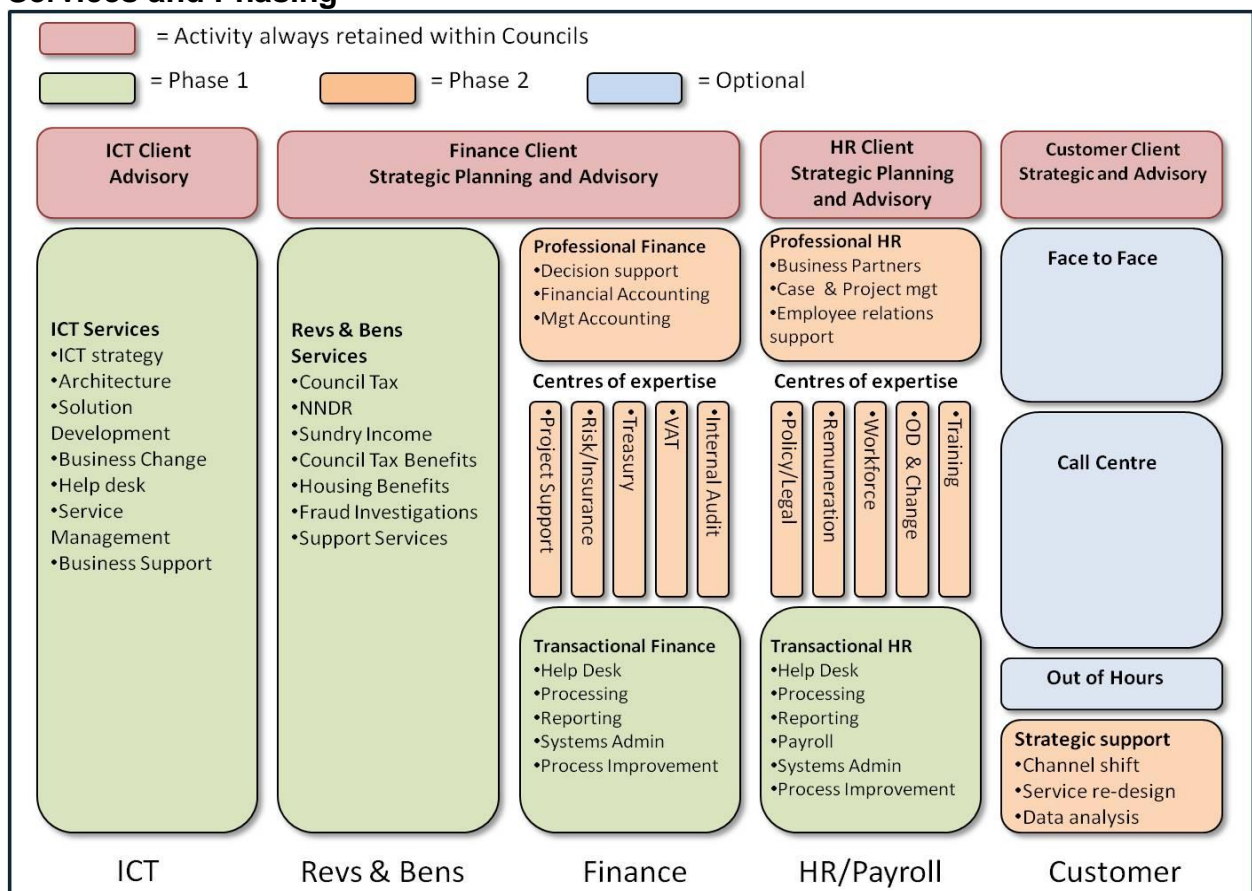
**3.4.2** The business case identifies a shared service, run on behalf of participating Councils to deliver the following services:

- Finance (Professional and Transactional);
- Human Resources (Professional and Transactional);

- ICT Services (all services);
- Revenues and Benefits (all services);
- Customer Contact; and
- Strategic.

**3.4.3** The business case identifies two possible phases for transition of the above services which is illustrated in the diagram below, where transactional, ICT and Revenues and Benefits services are identified as Phase 1 and Professional services are identified as Phase 2. Within the detailed business case Strategic and Customer Contact services are identified as retained within each Council.

### Services and Phasing



**3.4.4** The business case identifies two options for transition for Council – called Scenario 1 and Scenario 2. Scenario 1 sees all Phase 1 services transfer initially and develop into a shared services within 2 financial years, followed by a bedding-in period of 3 years when at year 5 the Phase 2 services are transitioned. Scenario 2 sees both Phase 1 and 2 services transitioned at the same time with an expectation of full delivery within 2.5 years. The business case identifies Scenario 1 as being less risky, though still substantial in size and scope (at £111m in value), while Scenario 2 (valued at £155m) is viewed as being more risky and certainly ambitious and stated to be one of the largest (if not the largest) considered in the UK.

**3.4.5** Across the Clyde Valley partnership, for the 7 Councils (South Lanarkshire having withdrawn) who are currently in discussion regarding this option, the expected level of saving identified is stated to be up to £30.1m by year 5 for Scenario 2 and £18.6m for Scenario 1.

**3.4.6** For West Dunbartonshire Council the identified savings are as follows with a year 5 saving of between £1.764m (Scenario 1) and £2.546m (Scenario 2) with an investment of between £2.643m and £2.641m required over the period, as follows:

<b>Scenario 1</b>	<b>y1</b>	<b>y2</b>	<b>y3</b>	<b>y4</b>	<b>y5</b>	<b>Total</b>
Investment	£1,080k	£797k	£742k	£45k	-£21k	£2,643k
Savings	£115k	£566k	£1,185k	£1,617k	£1,764k	£5,247k
<b>Scenario 2</b>	<b>y1</b>	<b>y2</b>	<b>y3</b>	<b>y4</b>	<b>y5</b>	<b>Total</b>
Investment	£979k	£796k	£754k	£106k	£6k	£2,641k
Savings	£166k	£817k	£1,711k	£2,334k	£2,546k	£7,574k

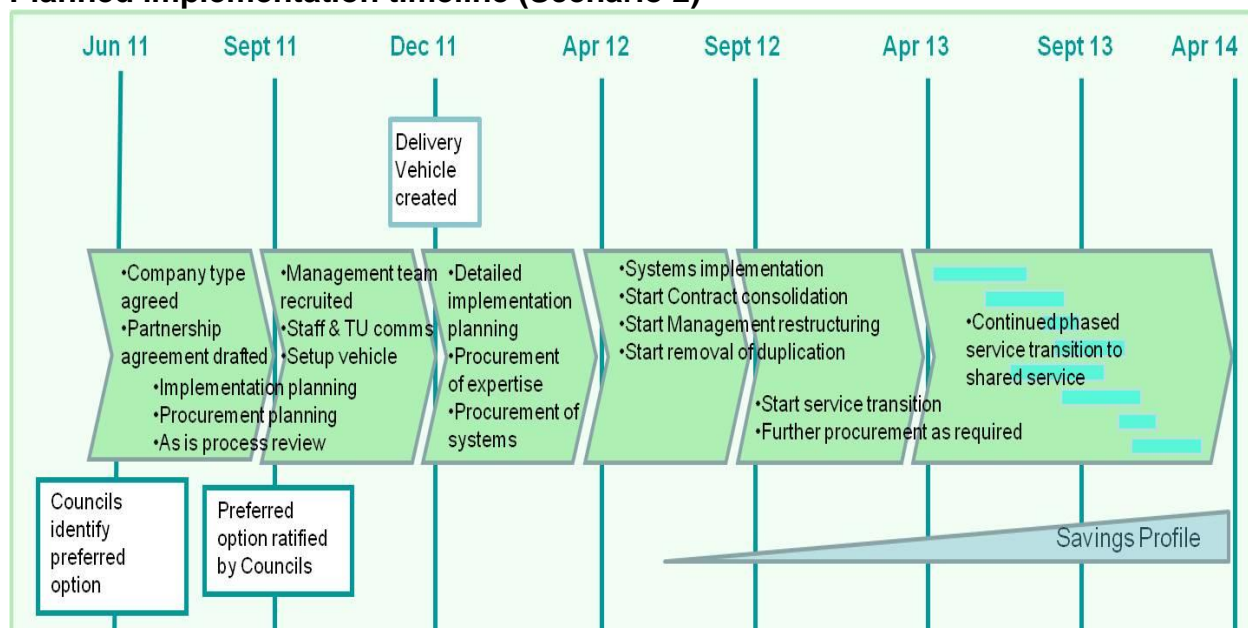
As can be seen above Scenario 2 generates a higher level of saving. Both scenarios require approximately the same level of funding investment and both scenarios recover the investment within the normal Council expectations for spend to save investment (midway through year 4 in Scenario 1 and just before the end of year 3 in Scenario 2).

The required investment funding could be generated from a variety of sources, such as reserves, capital programme, revenue funding and further consideration of this will be required depending on the Council decision on transition to the new organisation and depending on other Council decisions on transition, as decisions elsewhere could have a bearing on the share of investment required.

As stated above, the two Scenarios are based on a set of assumptions which include all Councils taking part in the scenarios as described. However it is likely that across the 7 Councils there will be a range of agreements as to what services, if any, will transfer. Therefore there will be further detailed financial modelling required following these decisions which will almost certainly change the value of efficiencies and investment required.

**3.4.7** In order to generate the above savings it will be necessary to implement the new partnership in a speedy manner and the business plan identifies the following timeline for Scenario 2.

## Planned implementation timeline (Scenario 2)



As stated above this timeline is recognised as being ambitious and there would be a significant risk in relation to any potential savings being available within the scale and timescale identified.

**3.4.8** In order to generate the efficiency savings identified the business case assumes that following transition to the new partnership body, that performance will move towards and attain the level of performance of the various Councils identified as being the best performers by the end of year 3, allowing full year effect of savings to be available for year 4. Performance information has been gathered through a range of Performance Indicators and an assumption made that the Councils with the apparent best performance set the planned future standard and therefore generates a level of efficiency saving. For some service areas there are no performance indicators available and an assumption (based on evidence from other shared services implemented elsewhere in the UK) of efficiencies ranging from 20% to 30%.

**3.4.9** As most of the costs of service provision relate to employee costs it follows that the efficiencies generated will have people implications and the financial model behind the business case identifies this as being on average, across the possible participants, of 25%. For West Dunbartonshire this will equate (based on either Scenario 1 or 2) by year 5 to:

- Scenario 1 – 201FTE posts transferring and therefore around 50FTE posts not required; and
- Scenario 2 – 280FTE posts transferring and therefore around 70FTE posts not required.

The business case expects that the effect of the loss of posts will be distributed evenly across participant Councils through an organisational change process which aims to ensure no Council area will lose a disproportionate level of posts. It is also planned that employees will remain



within existing premises while working as part of a wider virtual shared service provision in order to assist in ensuring the equality in terms of job losses.

The business case identifies mitigation in minimising the potential for compulsory redundancies through:

- Managing vacant posts to allow redeployment opportunities into vacancies or to lose vacant posts rather than filled posts;
- As assumption that on average there will be an annual 4% natural turnover in staff, again generating vacant posts; and
- An ongoing voluntary trawl is expected to see 25% of the staff whose posts are removed choosing to leave on a voluntary basis.

It should be noted that the distribution of posts in the new organisation noted above to avoid disproportionate job losses in any Council is only available to those Councils which take part in the Shared Services organisation at the time of its creation. This is important as for West Dunbartonshire Council this would almost certainly mean that joining the partnership later would result in a higher number of posts requiring to be removed from the establishment than would be the case if joining straight-away.

**3.4.10** The business case identifies a governance arrangement for the new shared service delivery organisation, called a “public-public” arms-length body which is owned by participating Councils. One of the first tasks for development going forward is to generate a suitable partnership agreement between the participating Councils. As can be seen from the timeline identified at 3.4.7 above this is expected to have been agreed by end of December 2011.

**3.4.11** The business case which has been developed identifies a significant option for the Council to consider which identifies the potential for significant efficiencies to be generated over a 5 year period initially and further efficiencies possible in years 5 to 10. These efficiencies are of a level that it may be difficult for this Council, or other Councils operating alone, to generate such levels of savings, and the option to take part in the ongoing development of the proposed Shared Service organisation is therefore worthy of serious consideration.

It should also be remembered that the CVSS option as presented provides an opportunity to deliver savings in services that are not generally thought of as being “front line” and perhaps less valued to the residents of the Council and therefore offers an option to reduce costs that don’t affect front line services.

**3.4.12** The business case identifies a number of Key Strategic Risks, the most significant of these being:

- Available skills and expertise to deliver change and manage shared service operation and loss of this through employee changes;
- Adoption of new ways of working within councils;
- Possible impact on service quality and performance;
- Information security could be compromised;

- Possible negative impact of shared service on existing council transformation programmes;
- Standardisation of relevant policies and any necessary harmonisation of shared services staff terms and conditions;
- Inconsistency in baseline data provided leading to errors in forecast savings, productivity measures and benefits sharing; and
- Timescales not met for the implementation and delivery of benefits – with negative impact on individual council budget positions (though any such an impact will depend on assumptions made in setting budgets regarding expected financial benefits).

**3.4.13** As an alternative to progressing with the CVCPP approach it is possible that the service areas identified above could generate further efficiencies through detailed benchmarking with those Councils identified within the business case as delivering the most efficient performance, and others. This would determine whether further internal business transformation work could generate efficiencies and would also identify what level and quality of service would be provided by providing at what appears to be the most efficient cost.

**3.4.14** Another alternative would be for the Council to consider working in partnership with other individual or groupings of Councils in the area, though this may be more difficult should most of the neighbouring Councils opt to take part in the proposed organisation.

**3.4.15** For the budget process for 2012/13 it is expected that Council services will generate 4% of savings. Assuming that this can be achieved on an ongoing basis over the next 5 years through ongoing development and improvement of systems, processes it could be expected that revenue savings as follows could be generated by the Council working alone.

<b>Base Net Revenue Budget 2011/12</b>	<b>y1</b>	<b>y2</b>	<b>y3</b>	<b>y4</b>	<b>y5</b>	<b>Total</b>
£12,804k	£512k	£1,004k	£1,476k	£1,929k	£2,364k	
£12,804k	£512k	£492k	£472k	£453k	£435k	£2,364k

The above would be broadly comparable to Scenario 2, and would require investment to generate and is based on an assumption that 4% for 5 years is feasible. Such a reduction would also have an impact on staffing numbers similar to that expected in the CVSS business case (though perhaps slightly less at 20%).

**3.4.16** Support Services Summary

The CVSS business case identifies a potential opportunity for the Council to participate in a Shared Services organisation which, with some investment, is expected to generate significant levels of savings. The business case identifies a number of Key Strategic Risks in delivering the efficiencies as described and at this stage many of these will have the effect of reducing confidence that either the new model can be delivered at the cost identified or

on time and if Council was to agree to take part in this process it is likely that some assumption as to a reduced level of saving would be prudent, rather than the full sums identified.

There is expected to be an option available for Councils who do not wish to take part in the new service to join the service at a later date. However this option will almost certainly require the payment of a significant “joining fee” probably similar in size to the investment required at this stage. Joining the service at a later date will also almost certainly mean that a higher level of posts would require to be removed than is currently being proposed via the CVSS model which allows for a level of protection through ensuring an average reduction will apply across all Councils taking part (though the organisational change process for this will be complex due to the likelihood that different Councils will wish to take part in different ways.

As described at 3.4.15 it may be possible for the Council to aim to generate a similar level of efficiencies over the next 5 years through ongoing implementation of more efficient methods of working and systems improvement which in broad terms would be expected to result in a loss of posts similar to those identified in the CVSS business case.

#### **4. People Implications**

- 4.1** Based on the conclusions reached above regarding the 4 service areas there are no current People Implications for Waste Management, Social Transport or Health and Social Care. In regard to Support Services the CVSS business case will result in between 201FTE and 280FTE posts transferring to a new organisation and an expectation that 25% of these posts will be removed over a period of around 2.5 to 3 years. There is no doubt, however that any alternative savings options to deliver a similar level of savings will also have people implications, whether through Support Services or other service areas.

#### **5. Financial Implications**

- 5.1** As described above three of the four areas of service being reviewed by the CVSS are not expected to generate significant savings over and above the level of saving that is currently being implemented within West Dunbartonshire.
- 5.2** The Support Services option does identify a significant range of financial issues as identified in 3.4 above. Council will wish to consider whether the potential alternative means of generating the identified level of savings are more or less palatable than those identified in the business case.
- 5.3** As noted at 3.4.16 should Council decide to take part in the CVSS Support Services option – whether as described in Scenario 1 or Scenario 2 it would be recommended that a level of sensitivity is applied to the identified savings due to the Key Strategic Risks that have been identified. Further work would be required on this once it is known what other Councils are doing and a further more refined business model is developed based on planned uptake.

## **6. Risk Analysis**

- 6.1** In relation to the Waste Management option there is a low risk associated with delaying the decision until the revised business case is available.
- 6.2** For Social Transport the proposal is to continue to take part in the modelling work and at this time there is no risk associated to this. This also applies to the approach in relation to Health and Social Care.
- 6.3** In relation to Support Services there are a number of risks identified in the detailed business case and if Council wishes to pursue this option then the mitigation would be:
- To take part effectively in the development of the new service;
  - Manage transition processes effectively and efficiently; and
  - Apply a financial sensitivity factor against the expected level of saving over a period of years in recognition of the risks identified (as described at 5.3 above).
- 6.4** There are risks also associated with not taking part in the proposed service model in terms of reputation and potential savings opportunities not being achieved. These risks can be mitigated by ensuring that work continues within the Council to generate ongoing efficiencies over the same time period as the CVSS model and ensure that options for shared service opportunities in all service areas are seriously considered.

## **7. Equalities, Health and Human Rights Impact Assessment (EIA)**

- 7.1** The detailed business case in relation to Support Services has not been subject to an equalities assessment as yet and this will be undertaken as part of the next phase of implementation. For the other three service areas described above, no significant issues were identified in screening for potential equalities impact of this initiative at this stage.

## **8. Strategic Priorities Assessment**

- 8.1** All of the shared service options identified above contribute generally to the Councils Strategic Priorities in relation to:
- Financial Planning and Strategy;
  - Asset Management Strategy; and
  - Fit for purpose services.

The shared services approaches will assist in the Council's financial planning and strategy to fill future budget gaps, though as described above for the first three services described this is not expected to be significantly more than the Council would currently be planning to implement. The Support Services opportunity would contribute to this assuming the level of savings identified is realised.

All areas considered would potentially contribute to the asset management strategy, though this is likely to be fairly minimal in relation to Health and Social Care.

All areas considered would contribute to the aim to provide fit for purpose services, though in relation to Support Services, there is a risk noted that this may be negatively impacted.

## **9. Conclusions and Recommendations**

- 9.1** There has been a significant amount of work undertaken across the Clyde Valley Partnership in relation to the four shared service areas reported above.
- 9.2** The ongoing approaches in relation to Social Transport and Health and Social Care are aligned to current Council improvement and efficiency processes and should complement these. It is recommended that these approaches should continue and further reports come to a future Council meeting as these develop.
- 9.3** In relation to Waste Management CVSS approach, as the business case is currently subject to significant review it is too early at this point to make a decision on whether West Dunbartonshire should be part of the future CVSS operating model. It is recommended therefore that the Executive Director of HEED should present a report to a future meeting of the Council identifying options open to the Council (along with financial implications) in achieving the future waste management targets one of which will be taking part on the CVSS operating model.
- 9.4** For Support Services the opportunity described in the CVSS detailed business case is significant, though has significant risks associated with it, however it is clear that there is a potential for significant financial benefit to accrue to the Council should it decide to take part. There is no doubt that the Council should continue to explore and seek opportunities to share services in this area of work and others. However, before making an informed decision on how the Council should proceed, the Chief Executive is instructed to analyse the efficiency assumptions contained within the detailed business case and report back to Council in August 2012. This will determine whether current levels of service can be maintained and/or improved whilst achieving the identified saving identified in the detailed business case. In the meantime internal efficiencies within Support Services within the Council should be progressed to assist in closing the budget gap for 2012/13.

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**David McMillan**  
**Chief Executive**  
**Date: 19 August 2011**

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**Appendices:** None

**Background Papers:** Detailed Business Case for Support Services

**Wards Affected:** All