

FINANCIAL MANAGEMENT BEST VALUE REVIEW

1 SUMMARY

- 1.1 The purpose of this report is to advise Members of progress with regard to the soft market testing exercise agreed by this Committee on 14 January 2003 (Minute 9/03 refers).

2 PROGRESS

- 2.1 An informal discussion has taken place with the consultant from KPMG that carried out the soft market test for Housing Services.
- 2.2 In analysing the position with regard to finance, the consultants reminded us that, in order to attract the private sector, there had to be potential for them to be able to achieve a profit.
- 2.3 With regard to Financial Services, the consultant concurred with the view of the review team that the market would be unlikely to bid for the service unless there was a package of services including Revenues and Benefits. There could, however, be scope to outsource minor elements of work, such as payroll preparation, should the need arise to replace the payroll system.
- 2.4 The other issue concerning Financial Services was the limitations of the current General Ledger system. Replacement of this would be influenced by the changing needs of the authority. Advice was given that, if a new system was required the Council should consider working in partnership with other local authorities.
- 2.5 The issue of Revenues and Benefits was considered as a single item for contracting purposes. From the experience gained by KPMG of the authority their view was that there would be little if any scope for a contractor to make savings by reducing staffing levels. It was also acknowledged to be a difficult time to take over benefits given the major changes to service now being proposed by Government. Nevertheless, it was not impossible but the specification would need to ensure that future changes to service were catered for.
- 2.6 The main area for the private sector to be able to make savings would be from economies of scale, particularly in the use of IT. The contract would, therefore, be far more attractive if the IT for Revenues and Benefits were included. The systems for Revenues and Benefits represent a significant element of our current IT contract with SIS.

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- 2.7 In view of the above, the question needs to be addressed in that, if the Revenues and Benefits IT were taken away from Rochford, would sufficient be left to ensure that a meaningful contract remained?
- 2.8 The officer view in this aspect is that, by transferring out the Revenues and Benefits IT, the remaining service could become extremely vulnerable. The remaining IT systems support essential services such as Planning, Environmental Health, Housing Services, etc. There may, therefore, be a risk to other services if Revenues and Benefits were contracted out in this manner.
- 2.9 The final issue raised by officers was in connection with maintaining a critical level of staff in case of emergencies. At present the number of staff within Revenues and Benefits accounts for around 20% of the workforce. With an external contract it would be entirely feasible for the majority of these staff to be accommodated offsite, in addition to not being employed by the Council. Officers are of the view that, with the low number of staff remaining (approximately 180 including 22 Wardens) there could be insufficient resources in the event of an emergency. There could also be problems in recruiting sufficient staff to run the elections.
- 2.10 All of the above would not prevent the private sector taking interest in the contract, but it would severely limit the scope for them making an appropriate level of profit. One other element that could attract the private sector is that we are, currently, a high performing authority in a number of areas. Should external companies perceive our staff to be highly effective, they may wish to gain the contract in order to enhance their own level of resource. Were this to be the case, the contract would need to have robust performance measures in order to ensure that the movement of staff to another contract would not result in a lowering of our service performance.
- 2.11 Notwithstanding the cautious view expressed in respect of engaging the market, it was pointed out that the Government is more and more expecting the smaller Districts to work in partnership when delivering common services such as council tax collection and benefits. The Council was, therefore, encouraged to explore partnership working wherever possible.
- 2.12 Rochford is already exploring a number of partnership opportunities in respect of collecting business rates. Partnerships in respect of council tax and benefits would have to be timetabled to match with other authorities as and when major changes in IT were to be carried out. Any partner should have similar objectives to ourselves. The Council would not wish to take on a poorly performing partner unless it were confident that performance would be improved.

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- 2.13 With regard to benchmarking, the consultant's view coincided with that of officers in that comparing financial information was not productive. Hence the advice was to form a small group of up to around 6 authorities that were prepared to co-operate fully in comparing methods of working. In this instance it may be beneficial for the group to appoint an external facilitator to manage the process.

3 CONCLUSIONS

- 3.1 In outsourcing a service, Rochford would be looking to maintain good performance but achieve it at a lower cost. As may be seen from the above, this may only be possible if IT were included in the contract.
- 3.2 Officers are of the view that there could be a significant corporate risk to the authority if both IT and staff for Revenues and Benefits were to be outsourced.
- 3.3 There is, therefore, little benefit in continuing with the soft market exercise. The Council should, however, continue to be alert to the possibility of working in partnership with other authorities.
- 3.4 There may be advantages in attempting to identify a small number of authorities that may be interested in setting up a benchmarking group.

4 RESOURCE IMPLICATIONS

- 4.1 A total of £15,000 had been set aside from the Best Value budget for both the soft market testing and benchmarking. It is suggested that £5,000 continue to be set aside pending the identification of a benchmarking club.

5 CONCLUSION OF REVIEW

- 5.1 The review team will now be finalising a number of action plans for Members' consideration in the next cycle of meetings.

6 RECOMMENDATION

- 6.1 It is proposed that the Committee **RESOLVES**
- (1) Not to proceed with the soft market tests
 - (2) To agree the concept of partnership working where appropriate
 - (3) To seek out a small number of authorities for benchmarking purposes.

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Background Papers:

None

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