Suffolk County Council’s approach to Delivering Differently

Outsourcing, in-sourcing and divestment

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The ambition:

To be a smaller and more effective Council

To put a much greater emphasis on commissioning and have much lower levels of direct service provision.

The original plan was to divest everything – the plan has evolved!
What Suffolk has done:

Between April 2011 and October 2013 the Council divested nine different business units:

• set up seven new organisations
  – 2 wholly owned companies
  – a Community Interest Company
  – two industrial provident societies,
  – a joint venture,
  – A Social Care practice pilot
• Two services outsourced (residential care and highways)

Through the process:
• Transferred 4000 staff out of direct Council employment
• Set up contracts totalling over £75m.

SCC is currently in sourcing its Back Office Services from a JV with BT
Why Divest?

Potential Benefits

- Financial
- Commercial
- Flexibility and service responsiveness
- Increased Community Involvement
- Staff Benefit
How divest

Route to New Ways of Working

Constitutional – Decision & Implementation
May be Council, Cabinet, DMT

Gateway 3
Test Business Plan
Is this a viable business which will flourish?

Gateway 2
Councillor Divestment working group

Gateway 1
Statutory Officer Test

Gateway 0
DMT + Councillor Divestment Working Group

Origin
An idea, from staff, Management Team, CMB or external partner

Opportunity for internal and external support.

Directorate Management Team
Is this a good idea?
Does it fit with the service strategy?
Will it reduce costs more if external to the council than internal?
Shall we devote time to developing it?

Councillor divestment working group
Is this a viable business proposition?
Is it right for Suffolk?
How are divestments managed once they have left SCC

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Observations & issues (1)

• Suffolk County Council was ambitious in its approach to divestments.
• The process of divestment is complex and time consuming.
• Critical to the success is a service lead who is passionate, skilled and committed to ‘pulling’ the service out of the Council.
• That needs to be married with a can do attitude within the Council to ‘push’ the service out.
• The process is only able to operate at pace when both the Council and divestee are prepared to take calculated risks.
• The divestment process itself is complex and can be a considerable short term distraction from front line service issues.
• It brings an absolute focus on non service issues such as back office services, governance, cashflow, taxation and legal arrangements. All of these are a distraction from service delivery.
Observations & issues (2)

- No one size fits all for the organisational form
- Pensions are expensive - risk transfer?
- Control the set up costs
- Back office Costs and Overheads – there are step down savings to be made here
- Suffolk County Council had a determined attitude to divestment and, consciously accepted that the arrangements may not be perfect prior to the divestment.
- It was accepted that issues may well emerge post divestment and that the Council would not walk away from its former responsibilities.
- The Council therefore takes a benevolent approach to supporting divestees. This is a difficult role.
• There are financial savings to be made through divestment (although many of these could also have been achieved by keeping the services in house).
• Divestment in itself will not completely solve the budget gap, although it has a role to play in the mixed economy of services.
• However, there are more significant benefits anticipated in the longer term. By taking the opportunity to innovate the services should be able to thrive.
• Anticipated that longer term savings will come from:
  • A lower costs work force
  • increased productivity from an empowered workforce