

Suffolk County Council's approach to Delivering Differently

Outsourcing, in-sourcing and divestment

Aidan Dunn

Assistant Director Strategic Finance and Head of Procurement
Suffolk County Council

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

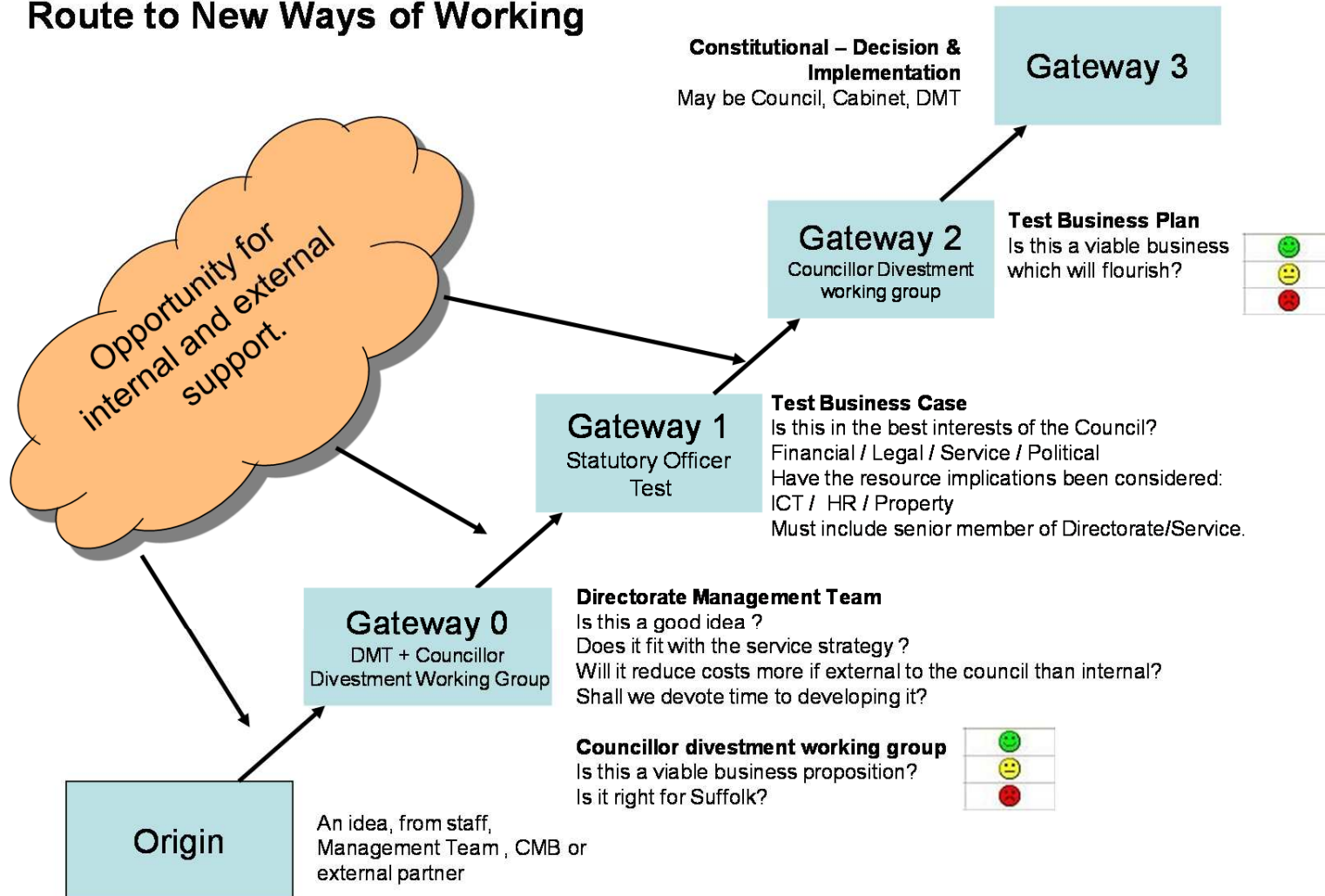
Why Divest ?

Potential Benefits

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

How divest

Route to New Ways of Working



How are divestments managed once they have left SCC

Internal Service Provision		External Service Provision
<ul style="list-style-type: none">• Job Descriptions• Internal Service Metrics• Control over Staff• Contracts of Employment• Salaries• Performance Development Reviews	<p>To be replaced by</p> <p>—————→</p>	<ul style="list-style-type: none">• Specifications• Key Performance Indicators• Negotiation with service providers• Management and control of contracts• Invoice processing• Provider service reviews

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.

Observations & issues (3)

- 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