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**LEADING EDGE PROGRAMME – GERSHON EFFICIENCY SAVINGS  
A DARLINGTON/STOCKTON PARTNERSHIP FOR SUPPORT SERVICES**

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**Responsible Cabinet Member(s) - Councillor Don Bristow,  
Resource Management Portfolio**

**Responsible Director(s) - Paul Wildsmith, Director of Corporate Services**

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**Purpose of Report**

1. To update Members on work undertaken so far on a potential partnership and to request Members approval to move the proposal forward to a detailed design stage.

**Information and Analysis**

2. As part of the Leading Edge Programme, the Council is looking at innovative ways of increasing the efficiency of the services provided. This is underpinned by the need to achieve significant cost reductions within the Council's MTFP. The provision of support services from within the Corporate Services Department and within the other three Departments was identified as an area of potential efficiency following on from initial analysis of the services provided. The analysis identified that in the vast majority of services, good performance was being achieved at below average cost. However, the key issues raised as a result of the analysis were :-
  - (a) There are opportunities to further reduce costs by partnering.
  - (b) There are opportunities to improve service performance capacity and resilience by partnering.
3. Darlington has worked with Stockton in the areas managed within Corporate Services for a number of years and last year jointly procured Customer Relationship Management (CRM) software and since then have worked jointly on some Business Process Re-engineering (BPR). Stockton find themselves in a very similar position to Darlington, an Excellent Authority who provide efficient and effective support services but they have the same desire to increase efficiency and effectiveness still further. Through a variety of meetings, a common desire to look at the possibility of partnering to achieve common aims arose. The idea of partnering was considered particularly appropriate given that these are in the main 'back office' functions not involving decisions about the level or style of services to the public. To this end, Deloitte MCS Limited were commissioned to undertake a Proof of Concept consultancy to look at whether a Darlington/Stockton Partnership would deliver the outcomes both Authorities desired.

## **Proof of Concept Report**

4. Attached at **Appendix 1** is the summary report produced by Deloitte, further more detailed reports are available for Members on the Intranet in Proposed Partnership Update within Corporate Services' section. The report, which follows three months of detailed work, concludes that the concept is a realistic option that could deliver efficiencies in the region of £0.9M up to £1.5M per annum shared between the two Authorities, however this would be after full implementation of a detailed plan and after up front expenditure to facilitate the partnership.
5. The report identifies potential routes to delivering the desired outcomes and quite correctly suggests that detailed design work is required around the services that will enter the partnership first. The report also highlights the opportunity to secure funding for the next phase of work and initial discussions have taken place with the North East Centre of Excellence.

## **What Other Service Delivery Options are Available?**

6. There is a developed private sector market for the delivery of support services with local examples being Liberata at Redcar and Cleveland and HBS at Middlesbrough. These are large scale outsourcing deals where the Authorities have put all their support and administrative services into the deal. The deals were set up at a time when upfront investment was an issue for Local Authorities before the introduction of Prudential Borrowing. The deals are characterised by significant upfront investment for the private sector contractor leading to annual savings over the life of the contract. The contracts take in the region of two to three years to get to completion and involve costs of going to market and securing a contract of up to £1M. The main drivers for such outsourcing deals nationally appear to have been where in house services are poor and/or costly or where there are severe recruitment difficulties
7. The private sector having established service centres in areas such as Middlesbrough can also offer small contracts particularly in areas such as Payroll, Local Taxation and Housing Benefits.
8. Financial benefits from any outsourcing deals are exceedingly difficult to gauge as contracts are different from Authority to Authority as are the baseline from which savings are calculated. Clearly if an Authority is not cost effective then greater savings will be achieved than at a cost effective Authority, it is Deloitte's view that both Darlington and Stockton are cost effective and therefore the scope for savings from an outsourcing deal are likely to be at the lower end. What is clear, is that significant upfront investment is required to get to 'market' without the guarantee of getting a contractor.
9. Opportunities may exist for partnerships with other Local Authorities and public sector organisations however, despite the work of the North Eastern Centre for Excellence there is no progress on a regional approach to providing support services. If there was such a proposal it would be an exceedingly challenging agenda to go from a baseline of no partnering to a potential partnership including 20/30 Authorities. Therefore at this stage it is not appropriate to look at large scale partnerships for Corporate Services.

10. The Partnering model is, as yet, undeveloped in Darlington and the North East region. The proposal has potential to deliver significant benefits for Darlington and would enable the Council to learn from such an approach with the potential to extend the practice of partnering into other areas of service to gain further benefits. Given these opportunities, at this stage, it is considered appropriate to further explore the option of partnering with Stockton

### **Proposed Way Forward**

11. The Proof of Concept report indicates considerable opportunities for the partnership and the proposal is supported by senior management in both Authorities. It is suggested that the proposal is taken forward to the detail design stage at which time Members will be asked to consider implementation of the partnership.
12. As any move to a partnership arrangement would have significant staffing implications, it is crucial that there is effective communication and consultation at all stages of the project. Initial discussions/briefing sessions have already taken place with employees on the concept of the partnership and staff will be kept fully informed and consulted throughout the design stages and subsequent implementation.
13. Equally crucial, should the partnership be delivered, there is a need to put in place robust and appropriate legal agreements between the two Authorities to enable both parties interests are considered protected.

### **Outcome of Consultation**

14. There has been no formal consultation on the contents of this report although there have been staff briefings.

### **Legal Implications**

15. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

### **Section 17 of the Crime and Disorder Act 1998**

16. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

### **Council Policy Framework**

17. The issues contained within this report do not represent change to Council policy or the Council's policy framework

### **Decision Deadline**

18. For the purpose of the 'call-in' procedure this does not represent an urgent matter

### **Key Decisions**

19. The issues contained in this report do not represent a key decision

### **Recommendation**

20. It is recommended that :-

- (a) That the principle of a Darlington/Stockton partnership for Support Services be approved.
- (b) That officers complete a detailed design for the Partnership and report back to Cabinet on the outcome of that work.

### **Reasons**

21. The recommendations are supported by the following reasons :-

- (a) To enable further work to be undertaken to identify in detail the opportunities available from a partnership.
- (b) To enable Cabinet to make final decisions on whether a partnership should be established.

**Paul Wildsmith**  
**Director of Corporate Services**

### **Background Papers**

Proof of Concept report by Deloitte

Paul Wildsmith: Extension 2302