

---

**IMPLEMENTATION OF THE COUNCIL'S BUSINESS MODEL**

---

**Responsible Cabinet Member - Councillor Bill Dixon, Leader**

**Responsible Director - Chief Officer Executive**

---

**SUMMARY REPORT**

**Purpose of the Report**

1. To update Members on general progress in implementing the Council's business model in the context of an ever changing financial environment for the Council and to receive a detailed update and recommendations on the Strategic Options for Place project.

**Summary**

2. The Council continues to face a significant financial challenge, after agreeing a wide range of budget savings contained within the latest review to the MTFP the Council still needs to identify further savings of £9.4m by 2016/17 from a current net budget of £80.6m. The latest revision to the MTFP includes a £2m savings target w.e.f. 1 April 2014 in respect of WHO delivers services. The report highlights progress on the various programmes in respect of WHAT services we deliver, HOW we deliver services and WHO delivers services and makes recommendations about the Strategic Options for Place project which focuses on WHO delivers Place based services in the future.
3. This project was the first stage in determining who could deliver the Place group of services. The project looking carefully at the pros, cons and issues involved in all realistic options – improved in-house, collaboration with other councils, delegation of services to another council, outsourcing to the private sector, and delivering services through a trust – in order that Members can choose what will work best for Darlington's likely future circumstances.
4. The aim of this project was not to determine the detail about who will deliver which group of services, more to determine the direction of travel and identify a preferred option; in practice a 'mixed economy' of different solutions for different services.
5. The next stages include taking the proposed in-house reforms through to implementation and working up options for collaboration with other Tees Valley councils.

## **Recommendation**

6. It is recommended that Cabinet :-

- (a) Notes progress on implementing the Business Model.
- (b) Notes the significant ongoing financial challenge faced by the Council.
- (c) In respect of the Strategic Options for Place project :-
  - (i) Notes and accepts the conclusions of the Strategic Options for Place project on who could deliver the Council's Place services.
  - (ii) Agrees that in the next two to three years officers focus on:
    - a) Retaining in-house most Place services that are currently in-house but implementing reforms of processes and structures to further optimise efficiency;
    - b) Looking to develop collaboration opportunities with other organisations, particularly other Tees Valley councils, and putting together business cases for collaboration opportunities;
    - c) Developing a business case for a Darlington-focussed cultural services trust only if there is a change in the current Government position on the business rate implications for councils of new trusts.
  - (iii) Requests officers to report to Council on any structural changes arising from the in-house reforms which require approval of Council.

## **Reasons**

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

- (a) To update Members on progress in implementing the Business Model.
- (b) To take forward the options for who delivers Place services which best achieves the Council's objectives in its Business Model.

## **Chief Officers Executive**

## **Background Papers**

- (i) Report to Cabinet 1 November 2011 on 'Implementation of the Council's Business Model'
- (ii) Strategic Options for Place research and case studies
- (iii) Reports from Deloitte on Trust financial modelling

Update on Business Model: Paul Wildsmith : Extension 2301

Strategic Options for Place: Richard Alty : Extension 4401 ; Philippa Rayner : Extension 2528

|                                  |   |
|----------------------------------|---|
| S17 Crime and Disorder           | The report has no impact on crime and disorder  |
| Health and Well Being            | The proposals in the report are intended to implement the Council's Business Model which aims to help achieve Community Strategy well-being outcomes. |
| Carbon Impact                    | The report has no direct affect on carbon impact  |
| Diversity                        | The report has no direct impact on diversity  |
| Wards Affected                   | The report does not affect any particular wards   |
| Groups Affected                  | The report does not affect any particular groups  |
| Budget and Policy Framework      | The report does not change the budget or policy framework   |
| Key Decision                     | It is a key decision as it potentially affects several services   |
| Urgent Decision                  | It is not an urgent decision  |
| One Darlington: Perfectly Placed | The proposals in the report are intended to implement the Council's Business Model which aims to help achieve Community Strategy outcomes.            |
| Efficiency                       | The proposals will help to achieve the efficiencies anticipated in the MTFP from who delivers services.   |

## MAIN REPORT

### PART ONE : GENERAL UPDATE

#### Background and Analysis of Current Financial Context

8. Cabinet on 1 November 2011 considered a report “Implementation of the Council’s Business Model (available at <http://www.darlington.gov.uk/PublicMinutes/Cabinet/November%201%202011/Item%209.pdf>) which approved the preparation of a detailed business case for the Strategic Collaboration of the People based services and continued work on Place based services. The work agreed in November underpins the WHO provides services element of the Business Model which is incorporated in the Council’s approved Medium Term Financial Plan (MTFP). The MTFP includes budget savings of £2m w.e.f. 1 April 2014 in respect of WHO delivers services therefore Members will appreciate the successful delivery of this programme of work is essential to delivering a sustainable MTFP.
9. Even since the report in November 2012 the financial context in which the Council operates has become worse as future income projections have been revised to take account of the latest government announcements which indicate a further sharp reduction in government grant from 2015/16, set out below are the estimated budget savings that are required after the delivery of all agreed saving proposals including the £2m for WHO delivers services.

|                 | 2013/14<br>£m’s | 2014/15<br>£m’s | 2015/16<br>£m’s | 2016/17<br>£m’s |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| Saving required | 1.9             | 2.7             | 7.3             | 9.4             |

10. The reason for reproducing the above figures for Members so soon after agreeing the MTFP is to contextualise the contents of this report. The Business Model has three key strands to it

WHAT - Services we provide within our limited resources.

HOW - We deliver services in the most efficient way

WHO - provides services, ensuring the most cost efficient solutions are operated.

All of which are aimed at reducing our expenditure to available income levels. The Council has a good track record on maximising savings by reviewing the HOW and WHO strands through the Transformation Programme and the last MTFP included £6.3m of such savings. However the ability to continue to deliver savings beyond existing proposals does become increasingly challenging and therefore in the next period the Council will have to focus more on WHAT services the Council provides, the last MTFP included £2.1m of WHAT savings.

11. Reducing spending by £9.4m from a net budget of £80.6m when £48m is spend on Adult and Children’s Services will require the Council to fundamentally review itself and will need to further reduce services and considerably reshape them. This context is extremely relevant to the contents of this report which is considering key elements of the WHO programme. At this stage the Council cannot be sure of WHAT services it will provide in

the medium term or HOW they will be provided. Flexibility will be key to enable the Council to adapt to reducing resources therefore entering into large scale long term contracts for the delivery of services at the current time would not appear appropriate given that services will need to change considerably in the short to medium term. The retention of services in-house or in flexible collaborations with other public sector organisations may well offer greater benefits in the short to medium term with such outsourcing options being considered at a later date when the Council has a clearer view of WHAT and HOW services will be provided in the future.

### **Update on Implementing the Business Model - WHO Delivers Services programme - People Group**

12. Cabinet in November agreed the development of a detailed business case for Collaboration of People based services. Work has commenced with Hartlepool and Redcar and Cleveland Councils to deliver a business case for a three way collaboration.
13. The Programme has been initiated with various projects within the programme identified a jointly appointed Programme Manager funded from Local Government Association support is in post to lead and facilitate the delivery of the detailed business case, update reports including key decisions required during the development of the final detailed business case will be presented to Cabinet during the next twelve months with potential implementation of the collaboration commencing in 2013. During the development of the detailed business case, opportunities will be taken to share resources to deliver “quick wins” and to facilitate the potential collaboration e.g. where vacancies arise, options for shared arrangements are being considered across all three Councils.
14. A programme of liaison at political level is underway with regular three-way meetings of Leaders and Chief Executives, and of Portfolio Holders and Directors. The regular meetings of Leaders and Chief Executives will also be used to facilitate some of the broader collaborations discussed within this report.
15. The programme is managed by an Executive Board including the three Chief Executives and Directors of each Council. The Board is key to ensuring delivery of the programme and identifying key linkages with other transformation programme and projects.
16. The first key report to Cabinet will be in early summer when the vision and scope for the collaboration will be considered.

### **Update on Implementing the Business Model – WHO delivers services – Resources Group**

17. In November Cabinet noted that no further work would be undertaken regarding collaboration within the Resources group until there was more certainty about the direction of travel for place based services. Later in this report Members will consider recommendations on how to progress WHO delivers Place group services.
18. A programme of work on collaboration on Resources group services is now in its initial stages and work is being done with Hartlepool, Redcar and Cleveland Councils, the initial approach is to review the concept of a three way collaboration in a similar manner to the People Group Services. The programme is planned to develop 4-5 months behind the People group services to enable learning to be shared and to allow the People services delivery model to be taken into account in the design of a Resources collaboration. The

work previously undertaken with Hartlepool proved the concept of collaboration which should be expandable to three Councils so as with the People group work will commence shortly on the scope and vision for Resources services which will be presented to Cabinet late in 2012. Opportunities such as the shared Head of HRM with Hartlepool continue to be taken in the lead up to the preparation of a detailed business case.

19. The Shared Services Partnership with Stockton, Xentrall, is a key component of the collaboration with Redcar and Cleveland and Hartlepool. Work is ongoing with Xentrall and Stockton colleagues to identify key challenges and opportunities Xentrall presents for the potential collaboration.

#### **Update on Implementing the Business Model -WHO delivers service – Place Group**

20. A very significant amount of work has been undertaken on this programme and a detailed update and recommendations on the outcomes of the work are included in the second part of this report.

#### **Update on Implementing the Business Model – HOW we deliver services**

21. There is a significant programme of work underway delivering already agreed proposals and developing new options for future considerations and implementation. Examples include Procurement, Corporate Landlord, customer access, customer services, structural reviews, reviewing employee terms and conditions, printer rationalisation, server virtualisation, desk top ICT strategy, system integration and replacement, postal services review. All these projects aim to provide the services at reduced costs.
22. At the same time the review of the Darlington Partnership, and developing approaches under the Darlington Together theme are aiming to reduce demand, and exploit all the resources available within the borough.

#### **Update on Implementing To Business Model – WHAT services the Council provides**

23. In producing the latest revision to the MTFP Cabinet reviewed the work undertaken by officers using an approach, the Zero Based Council (ZBC). This work highlighted the level of contribution services made to key outcomes this enabled Members to make informed decisions about WHAT services the Council provides in the future giving the reducing resources available to the Council. The use of the ZBC proved very helpful and in the coming months the process will be further refined to enable Members to consider the WHAT strand further when revising the MTFP later this year. The ZBC approach has been underpinned by the use of Equality Impact Assessments to enable Members to fully understand the impact of potential decisions to reduce services.

#### **Transformation Team**

24. The staff within the Transformation Team are deployed to support Directors and Assistant Directors in delivering programmes and projects highlighted in the updates above. The creation of the in-house team has proved cost effective in reducing the use of external consultants to supplement our significant transformation programme. The team is made up of some permanent staff and a number of secondments this enables the team to flex easily to meet demand for support.

## **Transformation Communication**

25. The Chief Executive and Directors will continue to arrange briefings for all Members on programme in implementing the Business Model. Employees are kept up to date via briefings and staff roadshows.

## **PART TWO : STRATEGIC OPTIONS FOR PLACE**

26. The aim of this Project was not to determine the detail about who will deliver which group of Place Services, rather it is to recommend the direction of travel and identify a preferred option – possibly a ‘mixed economy’ of different solutions for different services. The final report of the project is **Appendix 1**.

27. In summary, the main blocks of work in the project have included:

- (a) A literature review on best practice and lessons from ‘not best practice’.
- (b) Case studies of other councils, through structured interviews, visits and seminars, to assess their experience in more detail; these have covered a range of councils with experience representative of the range of options we are considering.
- (c) Incorporating specific advice from Deloitte obtained as part of their facilitation of the joint work with Hartlepool.
- (d) A range of different bench-marking work to assess the performance of Darlington services.
- (e) A formal process to assess the interest of private sector companies in providing DBC Place services. This involved:-
  - (i) A published notice seeking interest.
  - (ii) An Open Day attended by 92 companies, at which presentations were given on Darlington and on three blocks of services by the Leisure and Local Environment Portfolio Holder and the Director of Place.
  - (iii) Detailed meetings with a range of companies.
  - (iv) Questionnaires returned by 31 companies.
  - (v) Service mapping of all Place services as a basis both for in-house improvements and assessing logical outsourcing packages.
  - (vi) Financial analysis of all Place services to determine true costs of service blocks, to form a baseline against which to test other options, and to create a model for costing different options.
  - (vii) Full financial modelling by Deloitte of various options for leisure, cultural and other services to be delivered through a trust, including looking at the business rate and VAT implications.

- (viii) Detailed analysis of the ‘DSO’ services, to determine how much money is returned to the MTFP (General Fund) from the various sources.
- (ix) Setting of Evaluation Criteria arising from the Council’s Business Model.
- (x) Analysis of risk.
- (xi) Workshops have been held for managers across Place and for Trades Unions representatives to incorporate their input. Roadshows about the project have been held in different venues across Services for Place to encourage employee input, resulting in some individual meetings to facilitate employee input.

## Conclusions

28. The future for local government over the next 5 to 10 years feels more uncertain than it has been at many times in the past. A declining financial base seems very likely for the foreseeable future, but the extent of that decline is very uncertain. Equally the role, responsibilities and opportunities for local government after the next general election are difficult to predict. Whilst all the Evaluation Criteria are important, and it would not be appropriate to do any formal weighting of the Criteria, the following observations arise from the extent of uncertainty we face within a sharply declining financial base:-

- (a) **Value for Money/Savings:** There is a need to save money quickly to meet the current MTFP savings targets and more beyond. Once the Council has determined the outcomes (WHAT) it aims to achieve, there is a need to save as much money, as quickly as possible, by HOW it delivers and by WHO delivers the desired outcomes. The Council also needs to be working on ways that save more money in future from ‘HOW’ and ‘WHO’.
- (b) **Flexibility:** There is a clear need to leave open opportunities for the Council significantly to change in future WHAT it plans to achieve (as well as leaving open opportunities to change HOW outcomes are delivered). With the current degree of uncertainty in the future context for the Council, flexibility to change and react becomes a very important goal – the ‘flexibility’ criterion has moved up the rankings over the last year. Flexibility is particularly important for services that are not standard and not statutory: for example, flexibility to change leisure provision in future is probably more important than flexibility to change refuse collection; and one council is more likely to take a different view in future on leisure than on whether to collect refuse.
- (c) **Sovereignty/Darlington-focus:**
  - (i) Retaining the Council’s sovereignty to decide WHAT outcomes to aim for, and to what standard, is particularly important to Place Services, for which there are fewer national standards than for People Services.
  - (ii) Creating patterns of WHO delivers Place Services which encourage a Darlington focus or ‘total place’ approach is also likely to be important. Darlington’s strengths of partnership working across sectors, in a way that is focused on Darlington’s particular needs, remain an important ambition. Darlington Together approaches reinforce the value of Darlington-focused solutions. Given



the increasing demands for other services, some Place services may need to continue to take disproportionately more of the cuts, and so radical re-thinking in a Darlington context of HOW to achieve Place outcomes is likely to be important (e.g. project on the future of Arts provision). It may therefore be important to ensure that choices about WHO delivers services leave open or actively encourage cross-sector/Darlington-focussed ways of doing things. Organisations which are able to focus particularly on Darlington may be more advantageous.

- (d) **Risk:** In an uncertain future there may be a desire to minimise risk. On the other hand, as the financial situation becomes more difficult the Council may have a greater appetite for risk. Provided that the risk of any option is within acceptable levels, then risk may not be as important as the above factors in determining, today, WHO delivers place services.
- (e) **Impact on other Council Services:** Similarly, provided the impact on other services is thought through, can be managed and is well-managed in the implementation of any options, then this might not be as important a criterion in deciding between the options.

29. Emerging from the above and from the appraisal of the options, there are:

- (a) Options which can be discounted;
- (b) Options which it is suggested are pursued immediately; and
- (c) Options which might still be appropriate at a future date and could be re-considered in about two years time.

30. The options and the analysis of them are set out in detail in the project final report in **Appendix 1**. The options which it is suggested be pursued are set out below.

### **Options to be pursued immediately**

#### ***In-House Reforms***

- 31. The in-house option is both worthwhile in itself and keeps open other potential future options. The in-house option both makes the current services more efficient, by allowing loops in processes to be cut out where they are no longer required for a fully in-house service, and also creates business units reflecting findings from the market testing and case studies about the way private sector companies would best organise these services. This therefore keeps open a future choice of whether or not to outsource or share service collaboratively. It almost always makes sense to take any savings in-house before any outsourcing, otherwise the efficiency benefits will just be taken by the private sector provider.
- 32. The in-house option involves a significant restructure and improvement of processes, but it would be possible to implement these within the next financial year, realising full-year savings from 2013/14. Current estimates suggest this (together with some related savings such as a review of Streetscene and reduced depot costs) may have the potential to save around £600k to £750k p.a. from 2013. This depends on the extent to which savings are given to other funding sources as opposed to the General Fund, with transition costs being

the associated redundancy costs in the region of £350k to £400k. Significant process re-design or 'LEAN' work will be required to achieve savings through process improvements.

33. Construction work for external bodies is generating profits into the MTFP in 2011/12 (in addition to contributing to overheads), and the in-house model proposed would allow this income-generating work to continue. In developing the proposed in-house units which involve construction and maintenance work, attention will need to be given to the income currently generated for the General Fund from external capital and other non-general fund work. There are processes and charging arrangements that can be put in place to ensure the General Fund is not unduly disadvantaged by these in-house reforms.

### ***Culture Trust***

34. The key issues for Cultural Services over the next few years are:
  - (a) Flexibility to respond to future financial constraints for the Council;
  - (b) Ability to focus on cost minimisation and on using reducing Council funding to achieve One Darlington: Perfectly Placed outcomes;
  - (c) Ability to work collaboratively with other Darlington-focused partners, such as the Clinical Commissioning Group, Academies, 'schools@onedarlington', Colleges, and employers, around health and other outcomes.
35. A trust achieved these objectives well and scored well on the Evaluation Criteria, sitting well with the Council's Business Model. It also would have achieved significant savings, until the Government's response to consultation on the Resource Review changed the Business Rate advantages to the Council of a Trust. The consequence that this change will deter services being transferred to trusts has been raised with the Government, but it remains to be seen whether the Government will alter their position.
36. A Darlington-only culture trust has substantial benefits in term of Flexibility and Sovereignty/Darlington-focus compared with creating a joint trust with another local authority. It would be much easier to align the outcomes required, funding contract timescales, ethos, Board membership, and partnership working with health and education to Darlington requirements than if another local authority were involved. Management savings would be not as great as a joint trust with another council, but these savings may not fall equally and the trust would need to address its management capacity to the greater number of facilities across two areas. Joining an existing trust would take some time to set up as, if it were to be genuinely joint, it would involve the parent council coming out of the contract with their existing trust and re-procuring a new trust. Procuring another trust to run DBC services would be unlikely to have the Flexibility and Darlington-focus advantages of a Darlington trust, and the advice from Deloitte is that our service is currently run efficiently and effectively.
37. The process of setting up a Darlington-only culture trust is one that many authorities have done and should be possible to complete within a year. Whole year savings of c. £270k p.a. would have been achievable from 2013/14 onwards with transition costs of <£100k to fund advice and work on contracts. However, this depended on the funding of the NNDR reduction continuing to rest with the Government following the localisation of Business

Rates: the savings without the Business Rate benefit will be significantly less.

38. The benefits of a trust without the Business Rate savings may not be great enough, in an uncertain world, to justify the costs of setting up and maintaining a separate organisation.
39. Cultural Services in Darlington are well-managed with a customer focused attitude to service delivery, and the financial benefits of moving to a trust are uncertain. In those circumstances, it is better, to maximise flexibility, to retain Cultural Services in-house. However, should the business rate benefits come back into play then the balance of advantages would switch back to creating a Darlington-focused trust.

#### ***Collaboration with Other Council(s)***

40. The proposed in-house process improvements and restructure will also allow options for collaboration with other councils to be pursued. Work is continuing with Hartlepool on possibilities for collaboration, particularly on opportunities that may arise for specific sharing arrangements which could be easily implemented.
41. As well as continuing work on collaboration with Hartlepool, discussions have been instigated at a broader Tees Valley level. This project has identified that collaboration is more likely when service levels/approaches are similar and when the partner councils are not likely to take different decisions about future service levels (as they might for more discretionary services). Collaboration also requires willing partners to drive it through and overcome obstacles. It also requires sufficient scale to be able to deal with overheads which may remain – or to be small scale and opportunistic (such as sharing a specialist).
42. Reviewing the work done by Hartlepool and Darlington with Deloitte, the main collaboration opportunities in Place services appear to be:
  - (a) Waste (disposal, collection and recycling) from 2020;
  - (b) Power purchase or the opportunity to set up an Electricity Supply Company;
  - (c) Vehicles: purchase and maintenance, and also sharing specialist equipment;
  - (d) Specific opportunities that may arise to share management or specialist staff or equipment;
  - (e) Technical and professional specialisms – where a ‘portfolio’ approach to mutual aid between Tees Valley council could improve resilience and may reduce costs (through reducing in-house staffing needs or reducing use of consultants);
  - (f) Services where there are common approaches and service standards, such as some Regulatory Services, might have potential (though there are some problems of different service standards and the service blocks would need to be large enough to deal with overhead issue which have prevented collaboration in this area previously).
43. The next stages in pursuing collaboration are:
  - (a) To get agreement between Tees Valley councils about any areas where broad collaboration could be advantageous, then joint commitment to define and resource

those projects with clear project management and governance through proof of concept to business case;

- (b) Continuing joint work with Tees Valley councils to examine specific opportunities for smaller scale sharing, for resilience or cost benefits;
- (c) Continuing to explore the opportunities identified in the previous joint work with Hartlepool.
- (d) Put in place ready-made mechanisms which allow the 'mutual aid' approach to technical and professional specialisms to be activated quickly when needed.

### ***Street Lighting***

- 44. A collaborative approach to outsourcing or a shared service across four Tees Valley councils is worth pursuing swiftly to proof of concept and business case, so decisions can be taken about the benefits. (Redcar & Cleveland already have a long-term PFI contract in place.) A collaborative approach is more likely to be of interest to the market, and generate greater savings, than a Darlington-only approach.
- 45. This should look at options involving both a maintenance and replacement contract, and a contract that includes energy supply too. It should look at both a shared in-house service and outsourcing alternatives.

### ***Highways Frameworks***

- 46. Looking at what is happening in the market, and considering the statutory responsibilities that remain for the Council to execute in any outsourcing, the current approach appears to create a good combination of achieving value for money, whilst retaining flexibility, and retaining control of capital project management and of statutory decisions. This option is an extension of a delivery model the Council has used for a number of years, and would retain programme management, major project management, management of statutory highways functions, and highway inspections in-house, but secure the design of most capital schemes and most construction/maintenance work from private sector frameworks partners. By using frameworks the Council can regularly test the market, without the need to procure each individual contract. In this option there is no 'guaranteed' contract value for framework providers.
- 47. There is a significant collaboration aspect of this. Work across Tees Valley to create a portfolio of specialist skills, with the necessary procedures in place that allow councils to use each others specialisms, will create resilience for relatively small authorities in a world of reducing budgets. (This approach could helpfully be applied in other Place services too.)

### **Options which could be re-considered at a future date**

- 48. It is proposed that the following options are not pursued within the next two years, but could be re-considered at that stage depending on the circumstances and benchmarking data at the time. This will provide a sufficient and clear timescale for the immediate options above to be pursued vigorously. It will also give time to ascertain the implications of the Local Government Resource Review and the next Comprehensive Spending Review for WHAT the Council can afford to fund in future. Another factor is the management capacity

to pursue options: given the size of the organisation; there is a limit to the number of major outsourcing or radical change projects we can do at the same time, and a need to give priority to those which will have most impact.

### ***Environmental Services Outsourced to the Private Sector***

49. Putting in wheeled bins before any outsourcing should be the most cost effective approach due to local authority costs of borrowing being lower than the private sector, and will also give the opportunity to review the Streetscene service and understand any associated cost savings. It should be possible to complete this by early 2013.
50. Alongside this, further dialogue is continuing with Hartlepool on opportunities to share management costs and share equipment, and this should be factored into the business case assessment for any outsourcing.
51. It is also important to be clear about the extent of commitment of other Tees Valley authorities to joint approaches to waste management from 2020 (when all five councils' waste disposal contracts come to an end), and work is in hand to clarify that. A joint approach to waste management from 2020 is potentially a big savings prize and would therefore be first preference for the future. This will be a long-term process, and work on this will need to be progressing by 2014 if it is to be achieved. It is therefore proposed that the options for Environmental Services would be reviewed in 2014 if progress was not in prospect on a joint Tees Valley approach.
52. It would still be possible for and outsourcing of Environmental Services to be considered from 2014 to 2020 or beyond. Given that our refuse collection costs are currently low (but will change with wheeled bins), and grounds maintenance costs appear to reflect the extent of land being maintained, it is suggested that more detailed work would need to be done on what the potential cost-savings from outsourcing might be, in comparison with the transitional costs of the outsourcing process. It is suggested that this further work on costing and testing whether there is a business case is done only after the service is restructured for wheeled bin implementation, and only if it appears that joint Tees Valley approaches from 2020 are not possible.

### ***Housing Maintenance and Corporate Landlord/Facilities Management Outsourced to the Private Sector***

53. For both of these there are private sector contractors who deliver better services, with better secondary benefits (like tenant engagement and training) than our current maintenance services. However, there are transformation projects in hand to apply LEAN principles to make improvements. Also, the in-house option set out in this project – re-organising to remove unnecessary steps from processes and removing duplication – would provide opportunities for significant further improvements and efficiencies.
54. It is suggested that further work is done to examine the business case for outsourcing in these two areas after the internal transformation, dependant on the extent of service improvement that has taken place by then. Outsourcing of these services could be done on relatively short contracts of, say, four or five years.

### ***Delegation of Services to another Local Authority***

55. In many ways, delegation of services to another council is similar to outsourcing, and some similar issues to those set out on outsourcing to the private sector apply. At the moment value for money indicators do not suggest that delegation of services to a neighbouring council would achieve savings for Darlington (nor financial benefits for neighbouring councils).
56. In these circumstances, collaboration with other council(s) would be more likely to meet the Evaluation Criteria of Value for Money/Savings and Sovereignty/Darlington-focus.
57. The next Comprehensive Spending Review will no doubt provide substantial challenges for all councils in the region. The period following the implementation of the in-house improvements, together with any collaboration possible, would be an appropriate time to review the delegation option against further collaboration and outsourcing.