



OUTLINE BUSINESS CASE

September 2007

Version 1.0

1. EXECUTIVE SUMMARY

Project Background and Scope

- 1.1 Stockton on Tees Borough Council and Darlington Borough Council are neighbouring unitary councils and form part of the Tees Valley. Both are rated as excellent councils under the Audit Commission's corporate assessment framework and both have a culture of innovation and service improvement
- 1.2 Both Councils face similar pressures and challenges around, increasing customer and government expectations financial pressures, increasing Gershon efficiency targets and an uncertain financial future. The two Councils decided to evaluate opportunities for alternative means of providing back office services to contribute to the efficiency agenda.

Strategic Context

- 1.3 A range of options was considered by both councils, including outsourcing, public / private partnership before deciding upon the public / public partnership between the two Councils. The chosen solution is an innovative approach which will ensure:
 - retention of financial benefits and intellectual knowledge;
 - control and flexibility over the direction of services and response to changes in external circumstances;
 - retention of public sector ethos.
- 1.4 The partnership will initially involve Stockton and Darlington and there is strong support in both organisations for this solution, demonstrated by reports to the respective cabinets agreeing in principle to the partnership, and the signature of a "statement of intent" by both leaders of the Council in April 2007. The Councils will consider expanding the partnership in the future.
- 1.5 The services included initially in the partnership were selected from a "Proof of Concept" study undertaken by Deloitte. This study considered at an early stage whether there were any likely business benefits in partnering for a range of services (all corporate and support services were considered), and equally importantly whether there was the culture, will and commitment for the partnership to succeed. Following the positive report, the services selected for phase 1 of the partnership are:
 - Design and Print;
 - ICT;
 - Transactional Finance;
 - Transactional HR.

- 1.6 The objectives of the partnership have been defined and agreed by both Councils as:
- to jointly provide a range of corporate and transactional services to Darlington and Stockton Borough Councils;
 - to secure efficiencies whilst retaining highest rated performance;
 - improve service capacity and resilience;
 - to form a nucleus around which both Councils and future partners could align service delivery;
 - to build capacity in partnership councils, securing intellectual capacity, recruitment and retention and sustainability;
 - act as an exemplar or prototype of collaborative working for the North East;
 - to ensure that the partnership is both “future proof” and expandable.
- 1.7 The partnership will contribute directly to both Councils’ Corporate Objectives. The Stockton Council Plan identifies:
- transformation of ICT (development of ICT strategy and ICT data centre);
 - improve operational efficiency;
 - build organisational leadership and management capacity;
 - strengthen the approach to partnership working.
- Darlington’s Corporate Plan also identifies :
- the need to identify joint working practices and procedures;
 - exploitation of ICT;
 - identify and realise efficiency savings;
 - enhance capacity.
- The partnership will:
- create a seamless partnership with clear, shared objectives, collaborative relationships and a common culture;
 - achieve more than each Council could do on its own.

Economic Case

- 1.8 A business case has been prepared for each individual strand covering financial benefits, service enhancements and development potential. The documents outline the baseline position, how the services will be delivered in future, the processes to be operated, the performance levels expected to be achieved, the structure that will be in place, the implementation costs and the financial and non-financial benefits expected.
- 1.9 Savings include those that can be delivered at the start of the partnership due to economies of scale and further savings in future years that will be delivered by further efficiency savings gained from greater integration and exploitation of ICT systems. Also built into projections are assumptions on benefits to be derived from changes in approach to service delivery e.g. increasing the amount of electronic

transactions undertaken with customers and clients (clearly, the ultimate delivery of these will be dependent on the appetite for change at both Councils, but the early indications are that such moves will receive enthusiastic support).

- 1.10 There are also potential future significant gains from service transformation and further systems alignment. Due the uncertainty surrounding required investment and level of savings these have not been included, but will be developed in the early stages of the partnership.

Summary of Financial Benefits

- 1.11 The overall financial benefits of the partnership are shown in Appendix VII and are summarised below:

Service	Total Savings (10 Years) £,000
Design & Print	1,743
ICT	3,683
Transactional Finance	2,468
Transactional HR & Payroll	3,436
Partnership and Implementation	(3,934)
TOTAL	7,398

The savings and costs each year are summarised below:

Year	Total Savings (10 Years) £,000
1	(368)
2	133
3	406
4	658
5	854
6	1,003
7	1,155
8	1,185
9	1,185
10	1,185
TOTAL	7,398

- 1.12 Implementation costs mean that year 1 of the partnership will result in an initial shortfall of £368k, with the partnership making a surplus by year 3, the savings rising to £1,185k per annum by year 8.

Non Financial Benefits

- 1.13 The partnership will deliver a transformed ICT service in both organisations. The current services were identified by a NCC report as being “utility” based and complex, with fragmented ICT investment and a lack of a long term application or architecture. The proposed service re-invests a significant resource in a strategic function which will both drive architectural change and efficiencies but influence,

support and enable all Council services in achieving the modernisation and efficiency agenda.

- 1.14 All strands will benefit from increased capacity and resilience and will improve customer service.
- 1.15 The transactional finance and HR strands will benefit from investment in system and business development teams who will utilise systems to rationalise processes and procedures as well as improving functionality and management information to service users to enable improvements in service delivery.
- 1.16 The partnership will include the completion of a new ICT room, particularly important given that Stockton would need to re-locate this facility irrespective of the partnership.

Partnership Governance and High Level Design

- 1.17 The partnership will be governed by a Partnership Board who will be overseen by a Members' Advisory Panel, and managed on a day to day basis by a Partnership Manager. One Authority will however act as the "employing authority" and will as such be the ultimate legal entity of the partnership. Stockton will undertake the role of employing authority and this decision was made following an evaluation against a set of criteria, the main reasons being capacity and numbers of staff transferring. Darlington staff will be transferred into the partnership following TUPE principles.
- 1.18 Following a detailed evaluation of options, the partnership location will be split:
 - Design and Print will be based in Stockton;
 - ICT will be based in Darlington (Lingfield Point);
 - Transactional Finance and HR will be based in Stockton (Bayheath House).
 - Computer Room will be based in Darlington Town Hall
- 1.19 The partnership will operate within a medium term financial planning and performance management frameworks and the savings generated by the partnership will be allocated on the basis of the baseline budgets of the Councils (61.8:38.2 per cent to Stockton:Darlington respectively).

Implementation Plan

- 1.20 A initial implementation plan has been designed and the partnership will commence on a phased approach between April and September 2008 ?. The plan will involve finalisation of change management framework, recruitment of staff, organisation of accommodation and the setting up of the Governance arrangements.
- 1.21 The plan will also incorporate the setting up of the ICT room and the system developments.

Risk Management

- 1.22 A risk management approach has been applied throughout the initiation and development of the partnership and this will continue throughout the

implementation. A detailed risk register has been prepared and it is reviewed on a regular basis.