

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

17 JANUARY 2011

REPORT OF AUDIT COMMITTEE SUB-GROUP

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1. REVIEW OF THE BUSINESS TRANSFORMATION PARTNERSHIP

1.1 Issue for Decision

1.1.1 To consider the findings of the Audit Committee sub-group on the costs of the Business Transformation Partnership (BTP) to the Council since 2007/08, the savings that have been delivered and the expected savings until 2012/13 following Business Transformation reviews or reviews to which the team have contributed.

1.2 Recommendation of Audit Committee sub-group

1.2.1 That Audit Committee note the apportioned costs of the BTP team since 2007/08, the actual savings delivered to 2010/11 and expected savings until 2012/13 (Appendix B).

1.2.2 That Audit Committee agree the BTP team provides value for money for the Council, particularly now the team have become more established, engage better with services and are involved in the implementation stage of projects.

1.2.3 That Audit Committee refer the report to the Leader of the Council and the Cabinet for information.

1.2.4 The Audit Committee refer the report to the other MKIP partner authorities for information.

1.2.5 That Audit Committee recommend that, following the introduction of new ways of working identified in reviews, regular benefit monitoring reports are made to MKIP Programme Board so positive outcomes, savings and lessons learnt can be tracked and recorded more easily.

1.2.6 That Audit Committee recommend the following are considered in the current review of the Legal Service Partnership delivery model:

- i. Up to date models of delivering legal services in the private and public sector;
- ii. How the work ensuring that libraries and publications are bought when required and at the best possible price should be managed; and
- iii. Possible models, including basket of rates, for procuring all external legal services at the best price.

1.2.7 That Audit Committee recommend the following are considered as part of the current review of future ICT delivery across MKIP:

- i. Progression towards standard platforms and operating systems to facilitate integrated working amongst current and potential partners;
- ii. How to ensure that procurement of new software is necessary to fulfil a business need;
- iii. How to ensure ICT demonstrates value for money and continues to help make partner authorities increasingly efficient and effective.

1.3 Reasons for Recommendation

1.3.1 In September 2010 the Leader of the Council requested that the Audit Committee undertake a review of the BTP to establish whether the function provides value for money for the Council.

1.3.2 At the 20 September meeting of the Audit Committee it was agreed that a sub-group of the Audit Committee should be set up to progress this review, supported by the Head of Business Improvement. Volunteers were requested and Councillors Horne, Nelson-Gracie and Warner made up the sub-group.

1.3.3 The sub-group met in October and agreed the scope of the review (Appendix A). Work was undertaken to gather the relevant information and the sub-group met again in December to review the costs and savings spreadsheet (Appendix B) and to confirm the recommendations to be made to the full Audit Committee.

1.3.4 The scope of the review focussed on how the BTP team has supported Maidstone Council and the financial savings. A review of MKIP is also currently being undertaken by the Audit Commission.

1.4 Background on BTP and MKIP

1.4.1 The Mid-Kent Improvement Partnership (MKIP) is made up of Maidstone, Swale, Tunbridge Wells and Kent County councils. From

2009/10 each of these partners has contributed annually to MKIP and these contributions make up a MKIP fund. The MKIP fund is used to pay for the MKIP Programme Manager post, the work of the BTP team on MKIP workstreams and costs of external consultants involved in MKIP reviews. The MKIP Management and Programme Boards decide what service areas should be reviewed by BTP and the majority of BTP work is on MKIP workstreams. If councils decide not to pursue a shared service or be part of a BTP review, they do not pay a lower MKIP contribution even though they are not directly gaining as much from work of BTP. Maidstone is currently involved in all the MKIP work being carried out by BTP so gets maximum value for the part of its annual contribution that goes towards paying for BTP work.

1.4.2 As demonstrated at 1.4.1, the costs of BTP to the Council are not straight forward to establish. BTP officers record their time spent on projects. A statement is produced quarterly to the MKIP Programme Board showing the cost by project and work carried out for individual authorities. The work carried out on MKIP workstreams is then paid from the MKIP fund. The costs of the BTP team to the Council cited in Appendix B are worked out by dividing the cost of a review by the partners involved in that review. This is seen to be the best way of working out the costs to Maidstone, but is not entirely accurate in showing the actual cost the Council has contributed towards BTP because payments come from the MKIP fund. If anything, actual costs to Maidstone would be slightly less than the £161,246 quoted for MKIP work.

1.4.3 The BTP generally undertakes full reviews across MKIP partners to review the current service and highlight any improvements that could be made in individual authorities or to establish how a shared service would work, how much it would cost to implement and what it would save. This applies to the following:

- Finance;
- Legal;
- Contract Monitoring (which looked specifically at the way the Environmental Services teams monitored their major contracts);
- Print and Graphics;
- Revenues and Benefits; and
- ICT.

1.4.4 BTP can also support MKIP workstreams being led by the service areas themselves, as was the case for HR and Internal Audit. This usually consists of minimal BTP involvement, normally in terms of working establishing the base cost and the potential for savings. In the case of

Internal Audit a larger amount of BTP work was required to support the project, particularly as the model and external comparisons were reviewed several times. Most of the BTP work was to confirm the base costs, calculating the savings to be achieved from a shared service. In the implementation stage the BTP team worked to establish the partner authorities' budgets to take the service forward, including identifying the implementation costs and how these would be funded.

- 1.4.5 Not all MKIP workstreams involve BTP at all. The Procurement workstream involves procurement specialists at the partner authorities and looks for opportunities to jointly procure wherever possible.
- 1.4.6 Partner authorities can also ask the BTP team to carry out work on non-MKIP projects, for which they are charged on top of their annual contributions. The Council has utilised BTP in this way on a number of occasions. For the purposes of this review only BTP work on reviews, i.e. Parking Services and the Best Value review of Waste and Recycling, has been included. BTP involvement was minimal for both of these pieces of work.

1.5 Actual and expected savings 2009/10 to 2010/11

- 1.5.1 From 2009/10 to 2010/11 cumulative actual savings compared to expected savings from reviews with BTP involvement are:

	Expected savings	Actual savings
BTP-led MKIP reviews	£280,887	£102,350
MKIP reviews with minimal BTP involvement	£43,810	£43,810
Maidstone-only reviews	£81,750	£81,750
TOTAL CUMULATIVE TO 2010/11	£406,447	£227,910

- 1.5.2 As at December 2010/11 delivered savings are lower than expected on the following workstreams:

- Finance – lower by £93,567
- Contract monitoring – lower by £20,380
- Legal – lower by £70,100

- 1.5.3 For the first two MKIP reviews (Finance and Contract Monitoring) the requirement was for BTP look for efficiencies and best practice in the separate councils and make recommendations for changes to ways of

working, rather than looking at the partners forming a shared service. In common with all BTP reviews at that time the objectives were to:

- identify ways to improve customer satisfaction by 10%;
- reduce cycle time to complete processes by 10%; and
- reduce costs by a 10% of staffing cost.

- 1.5.4 Once the reviews were completed the responsibility passed to the service managers to deliver savings and make improvements, without any support from BTP. Much of the expected savings in both the Finance and Contract Monitoring reviews was through making internal processes more efficient so staff time would be saved and fewer staff would be needed. However, staff time savings do not necessarily immediately lead to reductions in staff for a number of reasons. For example, each of the reviews covered a number of different departments, so staff time savings in one department would not necessarily equate to one post that could easily be deleted. Also, additional work could have been taken on in that department so staff time would again be fully utilised.
- 1.5.5 The Finance review has led to much more efficient processes across the Council, but it is very difficult to attribute staff savings specifically to this, although these more efficient working practices allow managers to more easily make reductions in staff as required.
- 1.5.6 The Contract Monitoring review has delivered the majority of the expected savings. It also highlighted the need and potential savings in persuading people to use cheaper – generally on-line - ways of contacting the Council. The Council is increasing the numbers of on-line services available on its website and channel migration (persuading people to use cheaper communication channels) is being progressed as a corporate project.
- 1.5.7 Further savings are not expected to be delivered on the Finance and Accountancy and Contract Monitoring reviews, which is a shortfall of £113,947 going forwards.
- 1.5.8 The sub-group believe that more support from the BTP team and closer monitoring of the outcomes would have more easily allowed staff savings and non-cashable efficiencies to be attributed to the review. Therefore, this report recommends that regular reports are made to MKIP Programme Board in order to monitor and capture benefits more easily.
- 1.5.9 The Legal Partnership is unlikely to deliver all the savings originally expected in 2010/11, although savings are expected to be achieved in 2011/12. Legal has been difficult to implement across the three

partners without a dedicated Legal Partnership Manager and some one off costs have also had to be dealt with in Maidstone. All the authorities have made staff cuts since the business case was agreed , so the original business case is being reviewed to see if the model for delivery is still sustainable. Therefore, it is likely that the expected costs will need to be updated.

1.5.10 The Audit Committee sub-group recognise that the original Legal Services review looked at a number of different models of legal service delivery both in the private and public sectors. The sub-group also recognise that improvements have already been made in terms of procurement of external legal services through a consortium but this is difficult to quantify, and that improvements have been made through work to procure a shared library resource. However, as the partnership delivery model in the business case is being reviewed, the sub-group believe it is timely that a number of issues are re-visited and therefore recommend that these issues are considered as part of the review:

- Up to date models of delivering legal services in the private and public sector;
- How the work ensuring that libraries and publications are bought when required and at the best possible price should be managed; and
- Possible models, including basket of rates, for procuring external legal services at the best price.

1.5.11 The Audit Committee sub-group consider that large savings are possible from better ICT joint working across the MKIP partners and that ICT is essential in facilitating better ways of working and delivering savings in other service areas. Savings could be made from a progression towards standard platforms and operating systems and ICT could help deliver more efficient working practices e.g. paperless office, freeing up officer time from repetitious tasks. However, the sub-group believe it is always important to ensure that the purchase of new software should always be driven by a business need, not just because a product is new and has more features, as those features may not be required. Therefore, the Audit Committee sub-group recommend the following are considered as part of the current review of future ICT delivery across MKIP:

- Progression towards standard platforms and operating systems to facilitate integrated working amongst current and potential partners;
- How to ensure that procurement of new software is necessary to fulfil a business need; and

- How to ensure ICT demonstrates value for money and continues to help make partner authorities increasingly efficient and effective.

1.6 Further expected savings 2011/12 to 2012/13

1.6.1 For the next two years (2011/12 to 2012/13) further expected savings from reviews with BTP involvement are as follows:

	Expected savings 2011/12	Expected savings 2012/13	Cumulative expected savings 2011/12 – 2012/13
BTP-led MKIP reviews	£282,270	£114,570	£396,840
MKIP reviews with BTP support/minimal BTP involvement	£75,120	£40,900	£116,020
Maidstone-only reviews	£21,250	£0	£21,250
TOTAL EXPECTED SAVINGS	£378,640	£155,470	£534,110

1.6.2 These figures are likely to increase as they do not include any expected savings from the ICT or Parking Services reviews, as work is still being carried out to quantify what improvement work needs to be carried out and what these savings might be. The Legal Services expected savings are likely to change so it is possible that some of the savings that will not be delivered in 2010/11 will be delivered in 2011/12 and 2012/13, which will also increase the cumulative expected savings.

1.7 Lessons learned

1.7.1 It is clear from the issues experienced with the Finance, Contract Monitoring and Legal reviews that reviewing a function and then passing the responsibility to the service manager to deliver is not the best way of ensuring delivery of savings and improvements or monitoring these easily. Identifying savings is important, but it is even more important to ensure they are delivered. The BTP team is now involved in the implementation phase to provide continuity from review to implementation stage and support the service manager charged with making the improvements. This will help ensure that expected savings are delivered and monitored.

1.7.2 There is now much more BTP involvement with and buy in from project boards and unit managers at the partner authorities. BTP officers now ensure there is more emphasis on speaking to staff to highlight issues to ensure buy in to the business case. If the reviews are large, for

example Revenues and Benefits, then staff can be seconded from the service to work with the BTP team. This helps service staff gain knowledge of processes and best practice from other organisations and gives BTP a much better insight of the service.

- 1.7.3 The BTP team is now experienced and has a better understanding of the partner authorities' finance budgets and is able to help the authorities set budget levels going forward.
- 1.7.4 The BTP team has found officers in the partner authorities are nervous about being subject to a BTP review and do not always understand what MKIP and BTP are trying to achieve. The team is building relationships with the Finance teams and other key officers in the partner authorities. This is helping to ensure requests for information are dealt with quickly and effectively.
- 1.7.5 Reviews and implementation are more likely to proceed easily if there is an agreed lead officer for BTP to liaise with, support the project going forward and provide guidance.
- 1.7.6 The sub-group believe that the improvements made in response to some of these lessons learned, particularly those set out at 1.7.1 and 1.7.2, have made BTP a more fit for purpose and better value for money resource for the Council.

1.8 Value for money judgement

- 1.8.1 For a cost of approximately £168,589 to the Council, the BTP team has:
 - Led on MKIP reviews that have delivered £102,350 in savings and are expected to deliver at least £396,840 more in savings by 2012/13;
 - Supported MKIP reviews that have delivered £125,560 in savings and are expected to deliver approximately £116,020 more in savings by 2012/13; and
 - Supported pieces of work for Maidstone Council that have delivered £81,750 in savings and are expected to deliver a further £21,250 in savings by 2012/13.
- 1.8.2 Paying for BTP work is very much an invest to save principle. The larger savings will take some time to deliver and initially these will be used to fund any implementation costs, other than where implementation costs are funded from balances. Costs are also incurred for undertaking or supporting reviews some time before savings can be taken e.g. the ICT and Parking Services work has incurred BTP costs, but expected savings are yet to be agreed and the

first savings from these services are unlikely to be delivered until 2011/12 at the earliest.

- 1.8.3 It should be noted that the costs shown at Appendix B are only the costs of the BTP team, and do not include other officer time spent on the review. In some ways this is misleading as it does not show the whole cost of staff time spent on the review and implementation. Involvement of BTP can ensure that the cost of staff time spent on reviews and implementation is actually less than it would be otherwise. For example, in the implementation of Revenues and Benefits a BTP officer at grade 10 carries out some of the work that would either be completed by the Heads of Revs and Bens (grade 14 at Maidstone) or a director at Tunbridge Wells, who would be paid at a much higher grade.
- 1.8.4 The cost of employing consultants is generally higher than using an internal resource. For example, the day rates of the three BTP officers range between £252 and £355, depending on the grade of the officer. An enquiry with two consultants undertaking similar types of work suggests that day rates of consultants would normally be in the region of at least £750 for undertaking reviews and at least £500 for implementation. However, there is an argument that consultants would work faster, so perhaps would need fewer days to complete a review. Consultants also bring with them different experience, skills and knowledge from working in other organisations which an internal team might not have.
- 1.8.5 It is difficult to compare as the BTP team works differently to consultants; officers have greater understanding of the costs of the partner councils and it is easier to ask an internal team to do more work. For example, the team is often required to go back and re-work costs e.g. following Ashford and Swale's decision not to proceed with shared service for Revenues and Benefits partnership. This is beyond the team's control and adds to the cost of the reviews. Consultants would also charge extra for this work to be carried out, but at a higher day rate cost. In fact, in the case of the MKIP HR review that was carried out by external consultants at a cost of approximately £60,000 (so approximately £15,000 for each of the four partners), BTP support was still required on the finance side.
- 1.8.6 The Audit Committee sub-group feel that the BTP team provide a more fit for purpose resource than use of external consultants for a number of reasons, for example:
- The BTP team has a good understanding of the partner authorities and their budgets, so officers are able to scrutinise the information they are given from authorities. External consultants without this level of understanding are not able to do this.

- Unlike consultants, the BTP team is in it for the long haul, and officers are able to undertake a review working with service areas and then support the services to implement changes, in many cases actually reducing the cost of staff time spent on implementation.
- Building a core of knowledge of how to achieve savings across the partner authorities is important to ensure best practice is employed in future reviews and implementations and that savings and improvements can continue to be made in the future.
- It is easier and probably cheaper to ask the team to undertake work not originally planned than it would be to request additional work from an external consultant.

1.9 Alternative Action and why not Recommended

1.9.1 The Audit Committee could decide that the BTP team do not provide value for money for the Council and not make the other recommendations set out at 1.2. This is not recommended as the Audit Committee Sub-Group has looked at this issue in detail and made recommendations accordingly.

1.9.2 The Audit Committee could decide not to refer the report to the Leader of the Council and the Cabinet. This is not recommended as the Leader requested that the Audit Committee undertake this piece of work and will want to be made aware of the outcome.

1.10 Impact on Corporate Objectives

1.10.1 The BTP team undertake work that helps to ensure delivery of the Council's priority of 'A place with efficient and effective public services'. The Audit Committee sub-group's review of the costs and benefits of BTP has also helped to deliver this priority by scrutinising the effectiveness of BTP.

1.11 Risk Management

1.11.1 The main risk from the review is if the subgroup's findings are incorrect and the BTP function does not provide the best value for money option for the Council in making improvements and efficiencies. This risk is low as the sub-group has considered the costs and savings delivered through the work of BTP.

1.12 Other Implications

1.12.1

1.	Financial	X
2.	Staffing	
3.	Legal	
4.	Equality Impact Needs Assessment	
5.	Environmental/Sustainable Development	
6.	Community Safety	
7.	Human Rights Act	
8.	Procurement	
9.	Asset Management	

Financial

1.12.2 Since 2008/09 the BTP team has cost the Council approximately £168,589. The team has led reviews or done small pieces of work to support projects that have delivered £227,910 in savings as at December 2010 and are expected to deliver at least £534,110 in further savings in 2011/12 and 2012/13.

1.13 Conclusions

1.13.1 The Audit Committee sub-group conclude that the BTP team provides value for money for the Council, particularly now the team engages better with services and supports services in delivery of the identified savings.

1.13.2 The Audit Committee of Maidstone Borough Council have looked at certain items of BTP at the request of the Cabinet from the perspective of value of savings identified and delivered in Maidstone and consider (a) that this may be of assistance to other partners in conducting similar reviews , and (b) would welcome any reciprocal comments.

1.14 Relevant Documents

1.14.1 Appendices

- Appendix A – Scope of the Audit Committee review of BTP
- Appendix B – Costs of BTP and savings delivered and expected

1.14.2 Background Documents

None.

<u>IS THIS A KEY DECISION REPORT?</u>			
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, when did it first appear in the Forward Plan?			
This is a Key Decision because:			
.....			
Wards/Parishes affected:			
.....			