

CABINET – 15 APRIL 2014

EXTERNALISATION OF BACK OFFICE/SCHOOL FACING SERVICES

Report by the Chief Executive

Introduction

1. In October 2013, Cabinet considered options for externalisation of various services in both Oxfordshire Customer Services and in Children, Education and Families. Cabinet agreed a range of recommendations in respect of those services including; that a single major procurement exercise with multiple lots should be undertaken to address
 - A fully outsourced service to replace existing corporate facing HR and Finance back office services;
 - A joint venture with a national private provider or another public sector provider to cover school back office and schools learning and foundation years.

Progress to date

2. A prior indication notice was issued in January 2014 and further information has been obtained to shape a final OJEU notice. The results of the prior indication notice support the findings from the soft market testing exercise undertaken last summer. A formal OJEU notice is ready to be issued.
3. After the Cabinet decision in October 2013, the Programme Team were approached informally by Hampshire County Council who wanted to explore a potential partnership over back-office services. Hampshire's approach was based on their development, supported by Deloitte of an Integrated Business Centre (IBC) for Finance and HR Services. Hampshire's IBC goes live in April 2014 with two further partners, Hampshire Constabulary and Hampshire Fire & Rescue joining in the next six months. Hampshire is seeking a small number of additional Local Authority partners.
4. We already have a working ICT partnership with Hampshire and their support of SAP is a key element of the partnership. In addition to providing back office HR and Finance services, the Hampshire IBC model is also set up to deliver back office services to schools and academies. The opportunity to deliver the schools back office encouraged us to also explore with Hampshire the potential for a separate partnership for the delivery of Education services.
5. Hampshire has presented an outline business case for Oxfordshire to join the public partnership for the delivery of back office services. This proposal allows for a transfer of Oxfordshire staff in April 2015 and a fully operational service from June 2015. An initial assessment both internally

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and with input from our Commercial advisers, KPMG has been undertaken. However, until a full business case is developed the full benefits and risks will not be quantified.

Next Steps

6. Whilst the soft market testing, the PIN notice and the Hampshire outline business case provide an evidence base as to the risks and benefits of each route, they do not provide sufficient information to enable a full commercial evaluation of each option. This is to be expected at this stage in the procurement/partnership negotiation process, as detailed commercial information is not disclosed until the final stages of each process.
7. Hampshire is not seeking to secure additional partners through a competitive process but through an unincorporated public/public partnership delivered through a 'co-operation arrangement'. It is not possible therefore for both options to proceed any further in parallel.
8. Consequently a decision is required now to:
 - **Either** continue with the scheduled procurement exercise and issue a formal tender
 - **Or** to suspend the procurement and to continue negotiations with Hampshire County Council to develop a full business case over the next few months with a view to joining the existing IBC partnership to deliver our back office requirements and to form an education improvement partnership.

Benefits of the Hampshire IBC

9. A public to public partnership has strategic advantages over a commercial provider. Central government is actively encouraging councils to share services in order to deliver efficiencies and an Oxfordshire/Hampshire partnership would be amongst the largest in recent years.
10. A private provider would typically look for an 8 – 10 year contract. The Hampshire partnership would require a 13 month notice period from any partner seeking to exit some or all services but no fixed term.
11. An Oxfordshire/Hampshire partnership for the back-office builds on an existing ICT partnership linked with a common use of SAP. Both organisations have employee self-service already in place. As public sector organisations there is an understanding of statutory requirements and requirements of local government Finance and HR operations.
12. An Oxfordshire/Hampshire partnership for Childrens Services offers advantages as follows:
 - Maintaining a close and active link between back office and school improvement actions (heavily valued by stakeholders)

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- Potential savings and/or reinvestment opportunity from merging delivery teams in a number of areas and building additional capacity to meet strategic needs
 - Building on the very similar vision and delivery for school improvement already being pursued by both authorities
13. The outline business case identified savings that are comparable to those that could be delivered through a private provider, with initial estimates being at the higher end of the savings spectrum. Whilst further work needs to be undertaken to clarify all costs and savings, the Hampshire proposal appears to stack up financially.

RECOMMENDATIONS

14. **The Cabinet is RECOMMENDED to:**
- (a) **Suspend the current procurement process for the Outsource of Finance and HR back-office services and the Joint Venture for School Improvement and related support services for schools (with the exception of Outdoor Education Centres);**
 - (b) **Commission a full business case for Oxfordshire with a view to joining the Hampshire IBC partnership and creation of a new partnership with Hampshire for Education services.**

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Background papers: Cabinet 15 October 2013 – Item 8

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