



A report by the Scrutiny and Audit Committee

Alternative Delivery Models

May, 2015

SAC Report No. 27

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SUMMARY AND RECOMMENDATIONS

This report sets out the conclusions of Aberdeenshire Council's Scrutiny and Audit Committee's 27th Investigation. This was an investigation into Alternative Delivery Models (ADM).

At the present time there is a projected shortfall of £50 million in the Council's budget for the period 2016-2020. The Committee is aware of work being undertaken by officers to ensure that value for money is achieved through efficient and effective processes which in turn provide good services to the people and communities of Aberdeenshire. The Committee's recent investigations into Charging for Services (Investigation 26, November 2014 <http://www.aberdeenshire.gov.uk/about/scrutiny.asp>) and Benchmarking – Do we have the tools in place for effective assessment? (Investigation 23, August 2013 <http://www.aberdeenshire.gov.uk/about/documents/Benchmarkingdowehavethetoolsinplaceforeffectiveassessment.pdf>) will inform this work significantly.

However, the Committee has also recognised the overriding need, in these challenging financial circumstances, to consider how services might be delivered in different ways from those traditionally recognised both internally and externally. This investigation was undertaken, therefore, not to prescribe specific alternative delivery models for specific services, but with the aim of identifying a range of such models which the Committee could recommend to Council as appropriate for consideration in circumstances where an Alternative Delivery Model was identified as the way forward for any given service.

As part of its investigation, the Committee heard from a range of witnesses; consultants who worked with public sector bodies in adopting Alternative Delivery Models, representatives of Councils who explored, or were implementing, different ways of provision; external bodies commenting on the effectiveness, or otherwise, of some of the approaches adopted across the United Kingdom; and officers of the Council as to areas where Aberdeenshire already was delivering its services in non-traditional ways.

Having heard all of the evidence, the Committee was of the view that, where the Council was seeking to improve the efficiency and effectiveness of its service delivery, ways of achieving this, in-house, should be considered in the first instance, alongside any proposal for an Alternative Delivery Model. Where an ADM might be deemed appropriate, the advantages of this should be clearly stated, with the specific model to be pursued depending on the particular circumstances of the individual business case.

As part of its analysis of the information provided by witnesses, the Committee has constructed a tool kit of issues for officers and councillors to consider; this is detailed in Appendix 1. A list of questions, which elected members should consider when presented with an officer report on consideration of an Alternative Delivery Model, is contained in Appendix II. The Committee would commend these to you.

On this basis, the Committee would make the undernoted recommendations:

- 1. Alternative Delivery Models should not routinely be viewed as the only means to save money, or deliver services more efficiently;**
- 2. Prior to determining that an Alternative Delivery Model should be pursued, the outcomes sought should be clear, and the Council should have explored all possible avenues to optimise the service; and**

3. Where a decision is made to pursue an Alternative Delivery Model subject to (1) and (2) above, the matters set out below should be taken into consideration by both councillors and officers.

The matters referred to in recommendation 3 above, and discussed in more detail in the main part of this report in the context of the evidence gathered during the investigation, can be summarised as follows:

3.1 Why is an Alternative Delivery Model being considered?

- to secure efficiencies and/or cost savings which cannot be made by retaining the service 'in-house';
- to address recruitment difficulties due, for example, to the competitive market in the local area;
- to address specific skill shortages; and
- to achieve economies of scale.

3.2 What services/functions are being included in/excluded from consideration?

- there should be no service or function currently delivered by the Council which should be excluded from consideration for delivering through an Alternative Delivery Model;
- where a decision is made to exclude, or include, a service or function, this should be determined on clear, transparent and justifiable grounds; and
- any decision to include, or exclude, a service or function should be 'future proof'.

3.3 How will the Alternative Delivery Model be set up?

- the business case should include an options appraisal of the relevant Alternative Delivery Models, in order to determine the most appropriate model in the particular circumstances;
- a clear and functional governance framework should be created at the start and followed closely throughout the implementation process; and
- the 'toolkit' proposed in Appendix I of this report should be utilised by officers and members during the decision-making process and the implementation period of any Alternative Delivery Model.

3.4 Who should be involved in the process of determining the type of Alternative Delivery Model to be utilised and its implementation?

- the 'buy-in' of all parties is essential to the success of any Alternative Delivery Model;
- all stakeholders – staff, councillors, partners, communities, service users – must be involved as appropriate throughout the decision-making process and the implementation period; and
- a communications strategy will be essential to achieving successful implementation of any Alternative Delivery Model.

3.5 When should implementation take place?

- time scales should be realistic and achievable;

- it is essential that project plans and project management arrangements are put in place at the beginning of any implementation process and reviewed regularly thereafter; and
- the input of relevant support services including HR, Legal and Procurement should be factored into project plans in consultation with those services.

Approaching the consideration and implementation of Alternative Delivery Models taking account of the above, and utilising the toolkit referred to in paragraph 3.1, should mitigate the risks which may be associated with such an approach. A range of risks have been identified during the course of the investigation and are set out in the body of the report.

1. INTRODUCTION

1.1 This investigation

1.2.1 The Scrutiny and Audit Committee, at its meeting on 30 October, 2014, agreed that an investigation be undertaken into Alternative Delivery Models. The work began on 1 December, 2014, with a session as part of a workshop on Commercialisation and Procurement with the Head of Service, and continued on 29 January, 2015 with a Lead Service scoping session. Further evidence sessions were held from 9 February to 20 April, 2015. Consideration of the evidence and the drafting of this report continued into May, 2015

1.2.2 Members who took part in this investigation are listed in Appendix IV.

1.2.3 The Committee chose to consider the topic as it was recognised to be a matter of public concern, particularly in the context of increasing pressure on public budgets. At the outset, it was agreed that the purpose and objectives of the investigation should be to:-

(a) To consider, at strategic level, current understanding and practice of alternative delivery methods for public sector bodies;

(b) To recommend a "check list" of areas of specific interest/ concern to service committee members in considering alternative delivery methods;

(c) To consider, in principle, which methods might be applicable to Aberdeenshire; and

(d) To learn from other experiences of alternative delivery methods – what worked, what didn't; why failures happened, and could they have been avoided; lessons learnt; collateral opportunities discovered; governance issues; and unexpected benefits.

The detailed brief for the Committee's investigation is available on the Committee's webpage at: - <http://www.aberdeenshire.gov.uk/about/scrutiny.asp>

2. How the investigation was progressed

The Committee undertook a range of different activities to enable it to carry out this investigation.

2.1 Documentation

2.1.1 A range of background documentation was provided to the Committee at the commencement of the investigation. This included information from both within and outwith Aberdeenshire Council:

INTERNAL DOCUMENTS

1. Scrutiny and Audit Committee – 30 October, 2014 – Alternative Delivery Models
<http://committees.aberdeenshire.gov.uk/committees.aspx?commid=13&meetid=11301>

2. Infrastructure Services Committee - Alternative Service Delivery Models

EXTERNAL DOCUMENTS

3. APSE – Insourcing; A guide to bringing local authority services back in-house, January 2009

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/insourcing-a-guide-to-bringing-local-authority-services-back-in-house/insourcing-a-guide-to-bringing-local-authority-services-back-in-house/>

4. APSE – Ensuring Collaboration: One way ahead for public-private partnerships

<http://www.apse.org.uk/apse/assets/File/Ensuring%20collaboration%20weblink.pdf>

5. Price Waterhouse Cooper - Alternative Service Delivery Models, October, 2013

<http://www.google.com/url?url=http://icma.org/Documents/Attachment/Document/3853&rct=j&frm=1&q=&esrc=s&sa=U&ei=fsavVMbHBpLxar2rgcAF&ved=0CBQQFjAA&usg=AFQjCNGCGvWNEhbM-DR-KwJx5DJr2CI4xw>

6. Grant Thornton – Responding to the Challenge; Alternative Delivery Models in Local Government

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>

<http://www.grant-thornton.co.uk/Documents/Alternative-Delivery-Models-LG.pdf>

7. Museums Galleries Scotland – Choices for Change – a Toolkit for exploring alternative methods of delivering services

http://www.google.co.uk/url?url=http://www.choicesforchange.info/downloads/%3Ff%3Dtoolkit&rct=j&frm=1&q=&esrc=s&sa=U&ei=h8ivVOPnJsrnarGrgagB&ved=0CBQQFjAA&usg=AFQjCNErhTk_meBqzxZrkI13wUq0QfK4WA

8. Guildford Borough – Fundamental Service Review Toolkit

<http://www.guildford.gov.uk/media/13048/Item-5-2---Fundamental-Service-Review-Toolkitpdf/pdf/pdf212.pdf>

9. Public Chairs' Forum – Arms' Length Bodies: Alternative Models for Service Delivery

http://www.publicchairsforum.org.uk/images/uploads/PCF_Alternative-Models-for-Service-Delivery-Jul-10.pdf

10. Warrington – Alternative Delivery Model Options

http://www.warrington.gov.uk/downloads/download/1284/what_are_the_alternative_delivery_model_options

11. UNISON Submissions:

(a) The Benefits of Insourcing

(b) TUPE and TUPE+ - Key Facts

(c) Statutory Guidance to Local Authorities on Contracting – Scottish Ministers' Section 52 Guidance

<http://www.scotland.gov.uk/Resource/Doc/115506/0028632.pdf>

12. INLOGOV – Blog Post 2 March, 2015 “The expansion of arms' length government is not necessarily at odds with democratic accountability”

<http://inlogov.com/2015/03/02/the-expansion-of-arms-length-government-is-not-necessarily-at-odds-with-democratic-accountability/>

13. Grant Thornton – Discussion Paper, March, 2015

14. Grant Thornton – BS11000 Collaborative Working Relationships

2.2 Witnesses and evidence gathering

2.2.1 Members of the Committee met with a wide range of witnesses, as undernoted:

- The Chief Executive, the Director of Business Services, the Head of Commercial and Procurement, and the Head of Roads and Landscape Services, Aberdeenshire Council;
- John Seddon, Vanguard;
- Guy Clifton and Vivien Holland, Grant Thornton;
- Lee Helms, Price Waterhouse Cooper (PwC);
- Mo Baines, the Association for Public Sector Excellence (APSE¹);
- Inez Teece, UNISION²;
- Alistair Robertson, Sport Aberdeen³;
- David Ferguson, Sporta⁴,
- John Bland, Greater Manchester Waste Disposal Authority (GMWDA⁵);
- Ewan Sutherland and Jonathan Belford, Aberdeen City Council;
- Val de Souza, Clackmannanshire;
- Stewart Murdoch, Dundee City Council;
- David Amos, Renfrew Council; and
- David Leng, Stirling Council.

2.2.2 Witnesses shared their experiences of working differently. The Committee sought witnesses' views on the processes around considering, establishing, planning alternative delivery models, and any experiences of having to bring out-sources services back in-house. A full list of the evidence sessions is attached at Appendix IV.

2.2.3 Full details of the evidence given to the Committee by witnesses is available on the Committee's webpage at <http://www.aberdeenshire.gov.uk/about/scrutiny.asp>

3. Current understanding and practice of alternative delivery models in public sector bodies

From the start of its evidence gathering, the Committee were presented with witnesses giving experience of a single, or a range, of alternative delivery models. Each spoke of the pros and cons of specific examples, and some gave an overview across the range of models available. It was noted that some of the earliest examples of good practice in non-traditional methods of service delivery – as well as examples where services were being returned to in-house provision – had occurred in England, where the austerity pressures foreshadowed those anticipated for Scotland.

Members felt that an assessment, given by Guy Clifton and Vivien Holland of Grant Thornton, defining, in terms of generality, the pro and cons of specific models, was particularly helpful. This is detailed in Appendix III.

4. Areas of concern/ specific interest for service committee members in considering alternative delivery model proposals

From Simon Haston, PACE Manager, Aberdeenshire/ Aberdeen City Council, the Committee heard of the risk of over-progressing business cases for joint working, without testing the democratic appetite for change, or engaging with stakeholders, both staff and service users. David Amos, Interim Head of Procurement & Business Services, Renfrewshire Council, spoke of the benefits in starting small, with a number of like-minded bodies, rather than going for a larger shared initiative initially. Unless there were an established history of working together, partners, and potential projects, should be chosen with care.

Inez Teece, of UNISON, John Bland of the Greater Manchester Waste Disposal Authority, and David Ferguson of SPORTA stressed the need to engage with the workforce and Unions at an early stage. This would allow them to become interested in, and engaged with, the process – “done with” as opposed to “done to”. Lessons were often best learnt from those actually doing the jobs, providing the service, and information garnered from open communication could be very beneficial.

Several witnesses commented on the assurance given to transitioning staff to external providers where TUPE was applied. Historically outsourced staff had occasionally been faced with reduced terms and conditions, losing benefits which they had enjoyed within council employment. Staff were often the biggest cost of service provision, and especially at risk of the need to provide services more cheaply, or in private hands, for maximum profit.

John Seddon emphasised the need to properly understand the current business operation, and to engage with those on the operational “coalface” who were best placed to know where improvements might already take place. Christine Gore and Philip McKay referred to Aberdeenshire’s current application of improvement activity across all spheres of operation and levels of staff, already established as empowering for staff.

There was general agreement amongst witnesses of potential risks that may need mitigation, should a move to a different service delivery model be contemplated. For example, any transition period should be supported as a time of increased stress for workers. Tensions could be alleviated by complete openness and dialogue about what was intended – and the reasons for it. Miss Teece suggested that this openness and dialogue could remove the instinctive opposition to change, or defensive stances being taken that could fester into future problems. Staff who understood, who were “done with” and not “done to”, could also be invaluable as ambassadors, explaining changes to service users and residents.

If any shared venture were to involve more than one partner, it was helpful to test at the earliest possible stage “buy-in”, particularly the political appetite for change. Several witnesses cited examples where, despite an “in principle” support for a business case, the detailed operational proposals were not ultimately accepted by elected members; this could lead to a waste of resources and officer time in progressing options which were never going to be accepted. Establishing early governance frameworks, with an option to stop any exploration at as early a stage as possible, could mitigate against this.

From Mr Leng and Ms De Souza of Stirling and Clackmannanshire Councils, sharing a service, Children, Young People and Education and Social Services, came the suggestion that, from the outset, any shared service should have a defined timescale for establishing shared governance; in their case, a core of officers working across Children’s Service and Social Care still reported separately to both Councils and policy committees in each authority. Long term, this was unsustainable.

Mr Bland spoke of the need to retaining professional staff in-house to monitor and supervise any contract operation. Mr McKay cautioned that this revised role might prove less attractive to professionals hoping to advance their careers, and allow little opportunity for continued professional development, impacting on recruitment and retention issues.

5. Are there methods which would not be appropriate for Aberdeenshire to consider?

All witnesses with whom the Committee spoke were clear; one size did not fit all. All were equally clear that there were no options in terms of alternative delivery models which should immediately be ruled out as inappropriate for Aberdeenshire. Mo Baines of APSE and Jim Savege of Aberdeenshire Council both stressed the need for political, and staff, buy-in from the outset of any consideration of Alternative Delivery Models.

Mr Seddon and Mr Savege stressed that often it was the people who were important in delivering success – even with the most improved processes, or efficient structure, activities might not be delivered to an acceptable standard; to the contrary, the right staff, bringing the right skills and abilities to posts, empowered to deliver services, would deliver successfully out of the most inefficient and ineffective processes. If the skills needed for success were not easily discernible in the current workforce, training should be instigated, or appropriate staff moved from other sections of the Council.

There were no services which should be considered immune from consideration of alternative delivery models. Mr Haston suggested that even in services such as Education, there were opportunities for shared delivery, or doing things differently – either cross-council or across education clusters within a council. Mr Clifton and Miss Holland of Grant Thornton echoed this, citing examples in the London Boroughs of Richmond and Wandsworth. Mr Leng and Miss De Souza of Stirling and Clackmannanshire's shared service were Scottish exemplars of shared services, as was Aberdeenshire's own joint working, with Aberdeen City Council, in Commercial & Procurement and Internal Audit Services.

Whilst shared services often seemed the easiest of Alternative Delivery Models, witnesses stressed that that transition costs and the pain of operational disruptions could prove more costly than any expected savings. Savings were often in terms of a reduction in managerial posts. Mr Savege posed the question, why, if transition costs were £1m, would you disrupt services, if only saving managers' salaries of £30-40,000?

There was a consensus that if the service area were something which Councils might want to change in the future, this would be better kept in-house; if the area of operation were transactional with high volumes, it was often better to outsource.

There may be an assessment that some services, more core to local authority business, were better kept in direct control; others may be better outsourced, as not integral to core, or statutory, business. Was it necessary for a Council to provide its own data storage infrastructure, for example? Waste collection, in contrast, was a highly visible service used by all residents in a Council areas; a core service it was often better provided directly.

Whilst some witnesses pondered whether areas such as economic development might be considered "sensitive" and so not conducive to being outsourced, others believed that the need for political will was needed in all outsourcing, and need for members' support should not remove consideration of externalisation.

6. The experience of others – what worked, what did not work; why failures happened – and could they have been avoided; lessons learnt; collateral opportunities discovered; governance issues; and unexpected benefits

Having expected to discover, through speaking with witnesses, almost a blueprint of “how to” for Alternative Delivery Models, members found that there were no easy answers to apply to determine success or failure. Evidence suggested that moving to less traditional delivery approaches could allow more entrepreneurialism, greater innovation, savings, and making more of a common resource. However, it was not possible to determine what had worked, or not worked, and extrapolate that for application across the board; so much depended on local circumstances, a will to make changes succeed, and political dynamics.

Mr Helms, from Price Waterhouse Cooper, spoke to the Committee of his positive experience in working across a range of models. An increasingly common option in England, although less well established in Scotland, was the use of Community Interest Companies. Miss Barnes of APSE was less convinced that Community Interest Companies worked, being concerned at the loss of in-house Council experience of service provision, which could be required if the external provider were to fail. In response to a defined need over recent years, APSE had produced guidance for Councils forced to return to insourcing, challenged by a lack of professional experience. Mr Clifton of Grant Thornton, spoke of his experience working with a council, where final option of choice could not be applied as, despite a political assumption from the outset, the affected staff did not want to become an externalised delivery function.

Members heard that initiatives failed for a variety of reasons; witnesses spoke of over-ambitious partnerships, limited mutual understanding, lack of political or staff buy-in, not properly resourcing the initial processes, lack of clarity over the role of elected members, over-regimented contracts, and diametrically opposite, contracts which were not adequately determined. It was considered essential to know, in detail, what was currently done, and how it was done, involving officers and stakeholders in considering what ought, or might be, changed. Witnesses repeatedly stressed that it was better to examine and exhaust options for in-house provision, or improvement, before moving to an Alternative Delivery Model. Transition was a critical time; one witness spoke of two different externalised structures in the same local authority area; the change-over, in one instance, had been better managed than in the other, in terms of the move towards, and initial bedding in of, the new processes. There was a risk of reputational damage to the Council as the public perception of the service still remained as “council”, even if done through an arms’ length external organisation.

Several witnesses suggested that empowered and efficient staff could successfully deliver regardless of the inefficiencies of the process; without the right staff or skill set, even the most “improved” process may not deliver.

Mr Ferguson spoke of good practice where Councillors had taken initially small steps establishing a small arms’ length external organisation to see how it worked - then added more and more facilities over time. Sporta had accumulated a wealth of evidence on leisure and culture trusts across the United Kingdom; this could be accessed to support moves to that previous might have been progressed on instinct of improvements. From Mr Murdoch, Dundee City Council, members heard of the expansion of a trust for leisure to become a Scottish Charitable Incorporated Organisation⁶, allowing other related areas of operation to be delivered in a non-traditional way.

Mr Bland commended listening to the market place; the Greater Manchester Waste Disposal Authority had succeed, he believed, by establishing only the outcome vision in its initial tender advertisement, not being over-specific with technical issues. Open to discussion with

potential partners, the ultimate agreement had been brokered to mutual advantage. It was generally agreed by witnesses that there should be early dialogue with potential partners.

In Aberdeenshire, Mr McKay spoke of specialist services which could not justify the employment of a full time member of staff, but which could be brokered on a shared resource basis with other councils; this could work very effectively, the sole caveat being that this could not be applied in areas of operation where those sharing required the resource at the same time. This last was the reason why shared fleet, or specialist roads or landscaping equipment was often unsatisfactory as the work was weather dependent.

Both Mr Savege and Mr Seddon acknowledged challenges in getting a contractor to improve, and how failure reward should be engineered out of any contract. Mr Savege had experienced a scope and standard of services with no improvement in performance or productivity within the contractual framework; it was hard to incentivise the contractor to innovate.

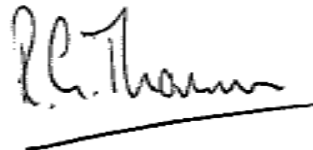
7. THANKS AND INVITATION FOR FEEDBACK

The Scrutiny and Audit Committee would like to record its appreciation of the cooperation and assistance it received from internal and external witnesses in the course of this investigation.

Each investigation undertaken is a learning experience for the Committee. It would welcome any feedback or comments from participants or interested individuals on the investigation process and this report.



Cllr Gillian Owen
Chair, Scrutiny and Audit



Cllr Richard Thomson
Vice-Chair, Scrutiny and Audit

TOOL KIT

- Be absolutely clear about what success would look like – create and articulate your outcome vision. ✓
- Make clear from the procurement what you want, how this should be achieved, and be sure to resource it properly. ✓
- The costs of transition – both in financial terms and also in terms of disruptive pressure on staff - need to be included in any business case. ✓
- Use benchmarking in evaluating (a) present levels of performance and (b) the potential levels of benefits in moving to any Alternative Delivery Model. ✓
- Establish that improved service is an essential component and that the objective is not simply reduced costs - reduced costs can sometimes reduce service quality. ✓
- Ensure that appropriate governance arrangement are in place at the earliest possible stage – both for the decision-making process, and for the project consideration stage. ✓
- Make sure there's a political – and stakeholder - buy-in before developing a business case. ✓
- If a partnership venture, be sure that all parties maintain a clear, shared understanding of the desired output – all too often shared services arrangements fall for the lack of this. ✓
- Ensure elected member buy-in at an early stage, so that officers may have clear operational mandates to deliver. ✓
- Recognise the importance of staff communications, in explaining the thinking behind any consideration of move to an Alternative Delivery Model, and what it might mean for them. ✓
- Make sure you get the right people. Success is not always dependant on status, but rather in matching skills and abilities to needs. ✓
- Consider in detail how the current process works, what local demand and need is. ✓
- Be aware of the balance of advantage between formal detailed contracts and a collaborative partnership/ shared benefit arrangement. The latter may be based on working together for a desired outcome rather than fulfilling detailed technical specifications. ✓
- Avoid being too prescriptive in any contractual agreement. Make sure that in setting up governance arrangements, that agreements should be appropriate to the particular circumstances, and tight enough to ensure the Council achieves its desired outcome. ✓
- Look for a meeting of the minds between commissioners and providers – collaboration is more efficient than conflict. ✓
- Ensure you build flexibility into any outsourced provision to be able to take any service back in-house if required. ✓

- Have an exit, or recovery, strategy planned from the outset. ✓
- Start small in partnerships and external contracting – work together and build up a relationship of trust and dialogue, rather than relying on overly detailed, and overly hard to monitor, contracts. ✓
- Ensure that any Performance Indicators associated with service provision, however delivered, are meaningful, fit for purpose, and designed to encourage improvement rather than mere adherence to targets. ✓
- It is important to understand the motivations of a third party provider – and to ensure, as far as possible, that they are aligned with your objectives. ✓
- Be aware of the disproportional time which may be spent developing a Business Case for shared Services which may, or may not, go ahead – seek decisions in principle at the earliest possible stage to avoid unnecessary work. ✓
- Be aware of the continued need for the monitoring of service delivery, whether outsourced, jointly provided, or provided in-house. ✓
- If out-sourcing, be sure to retain a resource of experienced professional staff in-house to act as informed commissioners. ✓
- Advisors, or consultants, are better retained as in-house experts – rather than allowed to drop in, make recommendations and walk away, where they may have no ownership in or responsibility for, the outcomes. Some consultants will simply deliver a big report and walk away – this is not beneficial to future support for the process. ✓
- Understand that there may be a balance required between achieving benefits in costs or efficiency and the potential lessening of direct democratic control. ✓

Who should be involved? – Staff partners and stakeholders

- Involve unions and staff representatives to inform the process from the earliest discussions. Considering their possible participation in any ultimate governance board. ✓
- Communicate freely and openly with staff - this can alleviate concerns that follow any fears of change. ✓
- Listen to input from those at the operational edge – they may often have the best ideas on how to improve current processes and practices. ✓
- Engage early with the market place and listen to what they say; learn from their experiences. ✓
- Actively pursue conversations with a range of potential partners to explore opportunities before committing to a single provider. ✓
- Consider the role partners may play, where appropriate, in Council's Strategic Leadership Team, or Corporate Leadership Group discussions. ✓
- Ensure that you know understand and accept any potential partner's appetite for risk. ✓

Be Aware of Risks

- Acknowledge that anticipated cost savings are frequently over-optimistic and should not be the sole driver of changes. ✓
- Note that, regardless of who is the actual provider, the Council is still seen by the public as accountable, even if not directly responsible, for the delivery provision. ✓
- Be aware of the trauma of any transition period on the workforce and, potentially, service users. ✓
- Note that if your staff understand the changes and reasons for them, they may have a crucial role as ambassadors with service users. ✓
- Be aware in outsourcing that any contractor will want to make a profit – if they do not, or the cost of provision is more than they anticipated, they may not wish to compete for a renewed tender. ✓
- Be clear that for many external providers, volume capacity processing is their skill - and be careful not to engineer in failure by increasing repeat processing. ✓
- Be aware that it may hard to incentivise a contractor to innovate – the contracts may lock other behaviours. ✓
- Know that contract disputes can add to costs – shared understanding by, and conversation with, partners and providers can mitigate against any future disputes. ✓
- Be aware that anticipated savings may not be easily achievable, particularly in the early years of any service move to an Alternative Delivery Model. ✓
- Note that even if it has worked elsewhere, a chosen route may not work for you – it is essential to know your own business fully before considering options on an informed basis. ✓
- Note that even in proposals for shared services, there will be “ownership” issues to be agreed at political level – Elected Members should be aware, at as an early stage of the potential arrangements as possible, about staffing requirements, where jobs are to be located, and the possible extent of partnership involvement. ✓
- Don't automatically assume that the private sector do things better, or cheaper, than the public sector. ✓

APPENDIX II

The Committee would recommend the undernoted be considered by elected members in considering any proposal for different ways of working:

1. Why? Is there a clear rationale? ✓
2. What other options have been considered? ✓
3. Can the existing service be improved by any other means? If not, why not? ✓
4. What are the respective requirements of the parties – are they clear and well-aligned? ✓
5. What is in it for us? Is it worth the pain? ✓
6. Is there a well thought-out implementation plan? ✓
7. How do we deal with this going wrong? Where is the assurance about matters such as proposed governance arrangements, managing political fallout, and succession planning? ✓
8. How would this change benefit the residents and service users? ✓
9. How have you tested the appetite for change, both amongst Elected Members and the Service Users? ✓
10. Do you have the capability and capacity to deliver? ✓
11. What do you understand to be the risks of working differently? What have you done to mitigate against these? ✓
12. What financial arrangements are in place? ✓
13. Are there any negative implications for the workforce? If so, how will this be managed? ✓
14. How will any chosen approach access good business-making decisions? ✓
15. Who else has been involved in getting to this point? Who do you plan to involve in going forward? ✓
16. What impact will there be on the level of service? ✓
17. What about the Elected Member role? ✓
18. What due diligence have you done on other partners? ✓
19. What difference will service users see as a result? ✓
20. What if we don't do this? ✓

GRANT THORNTON ALTERNATIVE SERVICE DELIVERY MODELS APPENDIX III

GENERAL PRINCIPLES	Key features	Financial	Quality	Risk	Control	Key success factors
LA Trading Company	<ul style="list-style-type: none"> • Creation of a wholly owned company; • Greater freedoms; • Risk and reward relatively low/ slower to achieve; • Preferred cultural fit; • Typical for Catering, Building Control, HR. 	<ul style="list-style-type: none"> • Potential to reduce costs but likely to take 2+ years to drive change; • Savings approximately 10- 15% after 2 years. 	Potential to improve quality but is dependent on creating cultural change in organisation.	<ul style="list-style-type: none"> • Limited risk if providing services solely to Council; • Greater risk exposure as services are traded to different bodies. 	High level of control retained.	<ul style="list-style-type: none"> • Appropriate business planning process needed; • Some cultural change needed to increase viability of service.
Joint Venture/ Public	<ul style="list-style-type: none"> • Establishment of venture jointly owned with other public bodies; • Council retains less control but shared risk and greater opportunities; • Cultural fit better than private; • Typical for highways. 	<ul style="list-style-type: none"> • Ability to drive cost efficiencies is dependent on skills set and knowledge of Joint Venture; • Savings approximately 10-15% after 18 months. 	Potential to improve quality but is dependent on maturity of organisation.	<ul style="list-style-type: none"> • Limited risk if providing services solely to the Council; • Greater risk exposure as services are traded to different bodies; • Some risk of contract creep; • May not be of interest to vendors. 	Low to medium level of control retained, depending on split.	<ul style="list-style-type: none"> • Appropriate business planning processed needed; • Vendor due diligence critical to selection process; • Some contract / relationship management effort required.

GENERAL PRINCIPLES	Key features	Financial	Quality	Risk	Control	Key success factors
Mutual	<ul style="list-style-type: none"> • Staff form their own entity; • Opportunity for staff to control the service; • Potential for extra funding sources; • Efficiencies slower to achieve; • Typical for traded services. 	<ul style="list-style-type: none"> • Potential to reduce costs and increase commerciality – but not in the short term; • No return for the council. 	Potential to improve quality but is dependent on creating cultural change in organisation.	<ul style="list-style-type: none"> • Limited risk if providing services solely to Council; • Greater risk exposure as services are traded to different bodies. 	Low level of control retained.	<ul style="list-style-type: none"> • Strong business case required including market analysis; • Cultural change required for staff.
Trust	<ul style="list-style-type: none"> • Establishment of separate entity for non-statutory services; • Typical where the Council has an expensive asset which is transferred over; • New funding streams and tax benefits possible; • Typical for Leisure. 	Potential to reduce costs and increase commerciality, depending on who is managing the trust.	Potential to improve but is dependent on the culture of commerciality within the trust's management.	<ul style="list-style-type: none"> • Limited control over operations and output; • Tax exemptions may not survive the lifetime of the trust; • May not be politically acceptable; • Staff may be on less beneficial Terms and Conditions. 	Arms' Length control – board representation determines the exact level.	<ul style="list-style-type: none"> • Strong governance arrangements are needed; • Clarity of objective – making profit, free up resource – or both? • Understanding the rationale of the Trust; • Understanding the implications if brought back in-house.

GENERAL PRINCIPLES	Key features	Financial	Quality	Risk	Control	Key success factors
Joint Venture / Private	<ul style="list-style-type: none"> Establishment of JV owned with private sector provider; Element of profit share; Benefit from their experience; Cultural fit not as strong as for public partners; Typical for Finance, Housing Repairs. 	<ul style="list-style-type: none"> Cost reduction can be significant (typically 10-20%) and investment – if mature partner; Typical timescales to achieving efficiencies – 12 – 18 months. 	Quality likely to remain the same but some contract risks.	<ul style="list-style-type: none"> May not be of interest to vendors; Limited risk if providing service solely to Council; Greater risk exposure as services are traded to other bodies; Significant risk of contract creep. 	Low level of control retained.	<ul style="list-style-type: none"> Vendor due diligence critical to selection process; Significant contract/relationship management effort required and clear sanctions for under-performance.
Outsourcing	<ul style="list-style-type: none"> Contract for services with private sector; Services and staff are transferred across to the vendor; Cultural fit least of all options; Typical for Finance, Highways, Waste and IT. 	<ul style="list-style-type: none"> Cost reduction is most significant – typical opportunity to reduce costs by 15-20%; Key savings through staff costs; Typical timescales to achieving efficiencies 6 - 18 months. 	Quality likely to improve as contractor will be experienced in the delivery of the service – as long as the contract management on behalf of the Council is robust.	<ul style="list-style-type: none"> May not be of interest to vendors; Poorly specified service will lead to poorly delivered service. 	Loss of direct control.	<ul style="list-style-type: none"> Understanding of own requirements and capabilities at outset; Understanding of ability and appetite to work collaboratively; Thorough vendor due diligence needed; Clear definition of roles with vendor; Strong contract management required and clear sanctions for under performance.

GENERAL PRINCIPLES	Key features	Financial	Quality	Risk	Control	Key success factors
Shared services	<ul style="list-style-type: none"> • Informal collaboration with other public bodies e.g. Council and Police for specific services; • Managed by Service Level Agreements (SLA) not contract – so greater flexibility; • Cultural fit is strong; • Typical for back office services (Finance, IT, HR), Revenues and Benefits, Regulatory Services and Customer Services; • Common in district councils where they may benefit from scale economies. 	Potential to reduce costs through scale economies but not significantly as staff Terms and Conditions unchanged and processes may not be the most efficient.	Quality likely to remain the same.	<ul style="list-style-type: none"> • IT investment remains the responsibility of the council; • Opportunity for scale economies reduced without the backing of experienced vendor. 	Higher level of control is retained.	<ul style="list-style-type: none"> • Good relationship with neighbouring councils/ other bodies with a strong level of trust; • Clear responsibilities and roles; • Alignment of strategic objectives across all the parties; • Ability to compromise as members' needs change over time.

APPENDIX IV

INVESTIGATION PROGRAMME AND WITNESSES HEARD

DATE	ACTIVITY	PRESENT
Mon1 December, 2014	Session with Craig Innes, Head of Commercial and Procurement, Aberdeenshire Council	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; Latham; Shand; Tait; and Thomson.
Thurs 29 Jan	Lead Service Briefing/ Scoping – Christine Gore, Director of Business Services, Aberdeenshire Council	Councillors Owen; Cullinane; Duncan; Farquhar; Ingram; Ross; Shand; Tait; and Thomson.
Mon 9 Feb	Philip McKay, Head of Service (Roads and Landscape), Aberdeenshire Council	Councillors Owen; Thomson; Cassie; Cullinane; Farquhar; and Ingram.
Wed 11 Feb	John Seddon, VANGUARD	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; Ross; Shand; Tait; and Thomson.
Thurs 5 March	Simon Haston, PACE, Aberdeenshire Council	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; Tait; and Thomson.
Thurs 5 March	Alistair Robertson, Sport Aberdeen and David Ferguson, SPORTA	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; Tait; and Thomson.
Mon 9 March	Ewan Sutherland and Jonathan Belford, Aberdeen City Council	Councillors Owen; Cullinane; Duncan; Farquhar; Ingram; Tait; and Thomson.
Wed 11 March	John Bland, Greater Manchester Waste Disposal Authority	Councillors Owen; Cassie; Cullinane; Farquhar; Ingram; Ross; Shand; Tait; and Thomson.
Wed 11 March	David Amos, Renfrew Council	Councillors Owen; Cassie; Cullinane; Farquhar; Ingram; Ross; Shand; Tait; and Thomson.

Wed 18 March	Jim Savege, Chief Executive, Aberdeenshire Council	Councillors Owen; Cassie; Cullinane; Farquhar; Ingram; Ross; Shand; Tait; and Thomson.
Thurs 19 March	Lee Helms, Price Waterhouse Cooper.	Councillors Owen; Cassie; Ingram; Ross; Shand; Tait; and Thomson.
Thurs 19 March	Mo Baines, Association for Public Sector Excellence (APSE)	Councillors Owen; Cassie; Ingram; Ross; Shand; Tait; and Thomson.
Thurs 19 March	Inez Teece, UNISON	Councillors Owen; Cassie; Ingram; Ross; Shand; Tait; and Thomson.
Thurs 26 March	Guy Clifton, Head of Local Government/Advisory/Audit and Vivien Holland, Regional Lead – Local Government/ Audit, Grant Thornton	Councillors Owen; Duncan, Ross; Shand; Tait; and Thomson.
Mon 20 April	David Leng, Director of Children, Young People and Education and Val De Souza, Head of Social Services, Stirling and Clackmannanshire	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; and Thomson.
Mon 20 April	Stewart Murdoch, Director of Leisure and Communities, Dundee City Council	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; and Thomson.
Mon 27 April	Wrap one and consideration of draft recommendations	Councillors Owen; Cassie; Cullinane; Duncan; Farquhar; Ingram; Shand; Tait; and Thomson.
Mon 11 May	Finalisation of report	Councillors Thomson (Vice Chair); Cassie; Cullinane; Farquhar; Ingram; Ross; Shand; and Tait.

ENDNOTES

¹ Association for Public Sector Excellence (APSE) – <http://www.apse.org.uk/apse/>

² UNISON – <http://www.unison-scotland.org.uk/>

³ Sport Aberdeen – <http://sportaberdeen.co.uk/>

⁴ Sporta – <http://www.sporta.org/>

⁵ Greater Manchester Waste Disposal Authority – <http://www.gmwda.gov.uk/>

⁶ Scottish Charitable Incorporated Organisation (SCIO) – The Scottish Charitable Incorporated Organisation is a legal form unique to Scottish charities and is able to enter into contracts, employ staff, incur debts, own property, sue and be sued. It also provides a high degree of protection against liability. <http://www.oscr.org.uk/charities/becoming-a-charity/scio>