

Newcastle

“A good model of staff engagement.”



An alternative approach

European Services Strategy Unit has been asked to provide UNISON with a short briefing on an alternative approach to outsourcing and developing an in house solution throughout the procurement process.

In 2001 Newcastle City Council began a procurement process for ICT and corporate services. Part way through the process the City Council agreed that an in-house bid should be prepared.

Senior management organised a series of workshops with staff and trade unions to examine how services could be improved and reorganised and new ICT systems should be introduced. The Council gave a commitment to fully engage with staff in the affected services and to involve trade unions.

An in-house bid was prepared by a group of senior officers. In September 2002, Newcastle City Council Cabinet accepted a £250m ten-year Information Technology and Related Services (ITRS) in-house bid and rejected a bid from BT (which included a proposal for a joint venture company with the City Council).

The in-house option was chosen because it:

- Gave better value for money
- Provided the same investment at lower cost
- Provided the same Service Improvement Plan
- Required fewer job losses
- Demonstrated it could achieve the required changes
- Contained a commitment and cooperation from staff and trade unions to in-house transformation.

Advantages of the in-house bid

The report to Cabinet explained the advantages of the in-house bid:

Better value for money: Generation of revenue savings of £38m over 11 years, with savings available in year one. BT promised only £9m savings.

The same investment at lower cost: The ability to fund necessary infrastructure investment of £20m without impact on frontline services and without the overheads and restrictions of third-party processes. This investment would be funded via leasing arrangements. BT was proposing to charge £13m more for the same hardware and applications software.

Fewer job losses in the in-house bid: The BT bid would have led to the loss of 177 jobs by March 2006 compared to 153 in the in-house bid.

Flexible development resources: The in-house bid included provision of 6,000 person days per annum of ICT development resource to address the City Council's systems priorities. This would be obtained via the Council's corporate procurement strategy and enable the Council to select the right partner for each issue or project, rather than being restricted to the input of one organisation. The bid also provided:

- A financial reserve of £700,000 over three years will enable secondment of service staff to transformation projects without disrupting existing services a provision of £2.5m for external consultancy on core systems.
- It also created an opportunity to bring together these services with customer service functions to deepen the impact of the reconfiguration and enable a more coherent approach to e-government as part of the customer service strategy.
- Transformational change would be managed in partnership with staff, trade unions and service users.

Maintain direct democratic accountability for the delivery of the service. There will be no requirement to negotiate with a multiple board structure of a legally separate third party in order to implement Council policy. Significantly, the In House Option will not be obliged to deliver or facilitate profit for shareholders. The full financial benefits generated by the new organisation will be available to the Council.

City Service transforms services

A new division, City Service, was created and has since successfully transformed ICT and corporate services and achieved the required savings. It now forms the core of a council-wide transformation strategy.

Staff and trade unions have been engaged in the design, planning and implementation of each service improvement initiative and the introduction of new ICT systems. A retraining and redeployment strategy meant there were no compulsory redundancies.

City Service **successfully bid** for and implemented the Information and Communications Technology £16.5m contract for the City Council's Building Schools for the Future PFI contract in 2006.

In the **first five years** City Service achieved net savings of £28.5m, projected forward over an 11-year period. Additional savings have been achieved.

Every area of service has improved significantly, ranging from the speed and accuracy of benefit payments to the high levels of satisfaction with the new call centre and the 'one stop shops' for all council services.

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