

Section 151 Finance cleared on:	28/08/14
Strategic Director cleared on:	04/09/14
Cabinet Member cleared on:	28/08/14

SURREY COUNTY COUNCIL

CABINET

DATE: 23 SEPTEMBER 2014

REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES

MRS HELYN CLACK, CABINET MEMBER FOR COMMUNITY SERVICES

LEAD OFFICER: JULIE FISHER, STRATEGIC DIRECTOR FOR BUSINESS SERVICES

SUBJECT: MODELS OF DELIVERY – OPTIONS APPRAISAL

**SUMMARY OF ISSUE:**

The Council has identified the potential to generate income and secure efficiencies by delivering fire training and other associated services to a range of organisations. The Cabinet is asked to support this opportunity and agree that the Council seeks a commercial partner who can provide the necessary additional capacity and capability to enter into new markets in order to maximise the benefits of the current and future opportunities.

Once a successful partner is identified, a collaborative agreement will be put in place to allow the organisations to work together to jointly bid for upcoming training contracts and other relevant activities. If these bids result in a contract or contracts being awarded, a further report will come to Cabinet for decision on the most appropriate delivery model, e.g. a joint venture.

RECOMMENDATIONS:

It is recommended that:

- a) The Council seeks a commercial partner for the delivery of training (including fire training) services to third parties and other relevant activities as stated in Option 3 at paragraph 10.
- b) Cabinet delegates authority to the Strategic Director for Business Services, following an appropriate procurement exercise and in consultation with the Cabinet Members for Business Services and Community Services, to enter into a collaborative agreement with the successful commercial partner.

REASON FOR RECOMMENDATIONS:

The Council has identified the potential to generate income by delivering training, including fire training, services and potentially other relevant activities to a range of organisations and wishes to pursue this opportunity. The Cabinet is asked to support this approach and agree that, through a procurement process, the Council seeks a commercial partner for the delivery of these activities and enters into a collaborative agreement with the successful partner to jointly pursue work in this area.

DETAILS:

1. On 26 March 2013, the Cabinet considered a report on Models of Delivery, aimed at strengthening the Council's approach to Innovation. This included a recommendation acknowledging the opportunities that a range of delivery models provides and welcoming future proposals (expressed as options appraisals and business cases) from services across the Council over the three-year period 2013-16.
2. In line with this decision, a number of services have been looking at the opportunities to extend existing or enter new markets, including the potential to partner with other providers where this strengthens our ability to deliver services more widely.
3. One such opportunity has been identified with the Council's Surrey Fire and Rescue Service (SFRS) around the delivery of services, including training.

Training Services

4. In order to deliver a high-performing service to the residents of Surrey, Fire-fighters and officers within SFRS undergo a wide-range of training on an ongoing basis.
5. The Council has built up a significant level of expertise in the delivery of training which, coupled with the technical expertise of staff, is a valuable asset. In addition, the Council has a purpose-built training centre at Wray Park. This delivers in-house training and is already used by other blue light partners, including some regional training delivery.
6. SFRS receive frequent requests from other organisations to provide training. This is a market that is expanding as more organisations look to out-source their training provision or look for more innovative and cost-effective ways to meet their needs. Given SFRS's expertise in this area and existing training centre provision, the Council is well-placed to take advantage of this expanding market.

Potential Models of Delivery

Option 1

7. This is a new area of work and the Council could decide to continue as is, using current resources to deliver trained staff to the necessary standard. However, this provides limited opportunities to maximise the value of existing training infrastructure, which is currently under-utilised and in need of modernisation, or mitigate against the decreasing ability to deliver training due to escalating costs and the need to identify further savings. It also reduces the potential to share skills and capabilities, and keeps the cost of course research and development changes high, making it more difficult to keep up with pace of transformation in the future.

Option 2

8. The Council could look to bid for work in the training market on its own. However, without additional resources, this would put significant pressure on the service, which could in the short-term affect its ability to drive forward

other necessary improvement activities needed to meet the requirements of the Medium Term Financial Plan. Given the financial pressures the Council is facing, this is not believed to be a viable option.

9. In addition, relying solely on in-house resources and expertise would limit the number and size of opportunities the service could bid for, and therefore the level of income that could be generated. Whilst additional resources could be recruited to deliver the required capacity, it is unlikely that this would match the commercial capabilities of others in the market, and this would therefore create additional risk for the Council.

Option 3

10. The Council could look for a suitable private sector provider willing to work in partnership with the existing in-house resources in an alternative delivery model, for example a joint venture. Working in partnership would allow Surrey to access a trusted organisation with an established presence in the market. It also provides opportunities to share resources and expertise, leading to efficiencies and greater potential to generate income.
11. Initial discussions with a range of private sector training providers indicate that there is interest in partnering with the public sector in this area. The Council's SFRS is seen as a trusted brand, with the technical expertise to enhance the training offer they can provide. In addition, Surrey's geographic location makes it an excellent base to provide training across London and the South East and with its proximity to London Gatwick and Heathrow, is an ideal base for international customers.
12. The nature of the partnership would develop in accordance with the opportunities identified. Initially this is likely to consist of a collaborative or exclusive agreement to work together to develop bids to win contracts in the market. An appropriate delivery vehicle, such as a Joint Venture Limited company, would be created in order to deliver contracts awarded. If a joint venture is needed, a further report will come to Cabinet for decision.
13. Given the benefits the partnership approach present, option 3 is the preferred option.

Identifying a Partner

14. The Cabinet is asked to support further work in this area, which will identify a commercial partner to deliver training services and related activities and provides the necessary additional capacity and capability to maximise the opportunities in the market.
15. An appropriate partner will already be established in the market with a proven track record of delivering training services to emergency services. The provider will also need to recognise the value the Council can bring to the partnership and hold the same values as the Council in terms of demonstrating value for money and improved outcomes for residents. The partnership will be assessed to ensure that it meets the Council's ambition to develop innovative solutions and provides a good return on investment for Surrey.

16. In order to manage any risks and test the market, it is proposed that once a partner is identified, a collaborative agreement will be put in place to allow the organisations to work together to jointly bid for upcoming training contracts and other relevant activities. If the bids are successful, the appropriate delivery model, e.g. a joint venture, will then be presented to Cabinet for approval for the delivery of the agreed services.

CONSULTATION:

17. Discussions have taken place with the Fire Brigades Union (FBU), in line with the national protocol, and will continue throughout the procurement process as necessary. SFRS training staff have also been briefed on the proposal and will be given further opportunities to input into the process as plans develop. A letter has been sent to all staff affected by the proposals with the relevant sections of the report with a commitment that staff and the FBU and the other trade unions will be formally consulted on the proposals as they are progressed. All staff have been actively encouraged to engage in the opportunities to generate income and secure efficiencies.

RISK MANAGEMENT AND IMPLICATIONS:

18. There are some risks that the partnership will not be successful in gaining work from other organisations and therefore not generate the expected income. To mitigate against this, the market will first be tested via a collaborative agreement. This will ensure that any commitment of resources is kept to a minimum in the early stages and ensure this is the correct approach and partnership for the Council.
19. The agreement will also ensure that there is clarity from the start about the level of commitment needed from both partners.

Financial and Value for Money Implications

20. SFRS has identified the potential to generate increased income through partner arrangements, given the stronger market presence and increased capacity it will provide, and is one of the ways the service has identified to deliver its Medium Term Financial Plan targets. This will generate income for the Council which will help maintain the Council's financial resilience and ability to deliver services to Surrey residents.
21. Initial resources will be required from Surrey Fire and Rescue Service, Procurement, Finance and Legal to procure a partner in this area and agree the collaborative agreement. Once this is in place, resources will be required to support any joint bid teams as opportunities arise. It is envisaged this would involve a small team of officers working full-time for short, intense periods of time as bids need to be developed rather than permanent secondments.
22. Any resource committed to bidding for work and delivery will be balanced against the likelihood of winning the work and achieving the necessary return. Commitment of resources may vary depending on the nature of the bid and the relative expertise of each partner on a case-by-case basis. The share of benefits would also therefore vary based upon the relative contribution each partner is making to any particular contract. Where possible, resources will be identified within current budgets and teams by prioritising activity.

However, where this is not possible and additional resources or backfilling of posts is required, then an invest to save case will be put forward for approval by the Investment Panel.

23. The opportunities being considered may result in a requirement to invest in the Council's training facilities. The parties will develop the business case for investment as appropriate and consideration will be given to the advantages of joint capital investment or the provision of the necessary funds by the Council alone. The returns on investment would be shared appropriately.

Section 151 Officer Commentary

24. The Section 151 Officer confirms that an appropriate evaluation of the options has been considered, and that the recommended option will enhance the ability of the service to deliver income to contribute to the achievement of the Medium Term Financial Plan targets. There is some risk, as is the case with any commercial consideration, that the partnership is unsuccessful in winning some contracts. As stated in this report, resources committed to bidding for contracts will be balanced against the likelihood of winning the work and achieving the necessary return.
25. The nature of the partnership will develop in accordance with the opportunities identified and appropriate company vehicles will be required to deliver the services to market. The shareholding in a joint vehicle will be determined to ensure an appropriate balance between the risk and reward as contributed / taken by each party. The Section 151 Officer confirms that consideration will be given to the most beneficial structure for approval by Cabinet at a later date.

Legal Implications – Monitoring Officer

26. In relation to Options 1 and 2, the Council could only sell its services to other Local Authorities and Public Bodies due to restrictions in the Local Authorities (Goods and Services) Act 1970.
27. In relation to Option 3, The Localism Act 2011 provides the Council with a general power of competence. This power enables the Council to do anything for a commercial purpose unless other statutory restrictions apply. In order to choose the relevant private sector partner the Council is required to follow a Procurement process as stated in the Council's Procurement Standing Orders and the Contract Regulations 2006.
28. Having considered the options above, Option 3 appears the most legally appropriate. The Council is able to enter into a collaborative agreement with the successful commercial partner following the procurement process.

Equalities and Diversity

29. Under section 149 of the Equality Act 2010 Cabinet must comply with the public sector equality duty, which requires it to have due regard to the need to:
 - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;

- b. advance equality of opportunity between persons who share a relevant characteristic and a person who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
30. At this time, it is not considered that an Equalities Impact Assessment is required as there are no implications for any public sector equality duties due to the nature of the current proposal. However, this decision will be kept under constant review.

WHAT HAPPENS NEXT:

If the Cabinet supports the proposed course of action, then an appropriate procurement process will be carried out to identify an appropriate commercial partner, using the principles outlined in Option 3 and paragraphs 15-16. Once a successful partner is identified, a collaborative agreement will be put in place to allow the organisations to work together to jointly bid for upcoming training contracts and other relevant activities. If successful in gaining work in this area, an appropriate delivery model or models will then be put in place to deliver the agreed services, with further reports to Cabinet as necessary.

Contact Officer:

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Consulted:

Chief Executive
Cabinet Associate for Fire and Police Services
Fire Brigades Union

Annexes:

None

Sources/background papers:

Strengthening the Council's Approach to Innovation: Models of Delivery (Cabinet, 26 March 2013)
