



Somerset County
Taunton Deane BC

Southwest One: Lessons and new agenda for public services in the South West



**European Services
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(Continuing the work of the Centre for Public Services)

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The **European Services Strategy Unit** is committed to social justice, through the provision of good quality public services by democratically accountable public bodies, implementing best practice management, employment, equal opportunity and sustainable development policies. The Unit continues the work of the Centre for Public Services, which began in 1973.

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Executive summary

The procurement of Southwest One

Southwest One is the first SSP to have a framework agreement to enable other local authorities and public bodies to obtain services bypassing the procurement process. It is also the first to potentially include a Police Authority as a partner and the first to combine secondment with a 10-year assurance to staff in the founding authorities.

The objectives of this report are to expose the unprecedented use of commercial confidentiality in the procurement process, identify effective ways for UNISON to respond to the new agenda, ensure a good industrial relations framework in Southwest One and to identify regional and national trade union strategies needed to achieve fundamental changes in the accountability and transparency of the options appraisal and procurement processes.

SSPs are a key part of the Labour's government's strategy for the transformation of public services. Whilst the Liberal Democrat controlled Somerset and Taunton Deane councils can be criticised for adopting the SSP model, they are implementing New Labour policy. Somerset CC and Taunton Deane DC claim that the £400m contract will produce £200m efficiency savings over the ten-year contract period, a 50% savings rate!

Whilst shared services projects may achieve financial savings and improved collaboration between authorities, the negative impacts could include the loss of jobs, a less skilled and trained workforce provided with poorer employment terms and conditions, relocation of employment, and new organisational models emerging which could extend the corporatisation of local government with more staff employed by arms length Joint Venture Companies and trusts.

Lessons for Somerset and Taunton Deane UNISON branches

Although the Somerset CC and Taunton Deane DC UNISON branches were unable to persuade the respective councils to adopt an in-house strategy, they did ensure that there was no retreat from the secondment employment model. They also exerted constant pressure on the SSP process and a degree of public Scrutiny, which would otherwise have been less rigorous or virtually non-existent. Branch strategy was initially focused on exposing the flawed options appraisal process, making the case for an in-house approach and preventing the start of the procurement process. Southwest One demonstrates the difficulty of opposing an SSP once the procurement process begins. A number of lessons are drawn from the procurement process, which the combination of SSP and shared services project made it more difficult to oppose.

Continued opposition to contract culture

The government's public services reform strategy requires local authorities to reorganise and restructure to promote commissioning, contestability and choice through market mechanisms. But commissioning and contestability require the mainstreaming of the procurement process in all council services. It creates a contract culture. It also erodes public service principles and values, diverts resources into making markets, reduces stable employment and the financial savings are constantly exaggerated.

Unfortunately, the Local Government and Public Involvement Act does not directly address community or staff involvement in the procurement process despite mainstreaming commissioning and contestability in service delivery.

Scrutiny, governance, participation, impact assessment and neglect of the public interest

The report identifies six fundamental shortcomings in the procurement of Southwest One:

Failure to engage the community: The only consultation undertaken was with ‘internal’ clients such as schools. Government guidance on community engagement was ignored.

Failure of scrutiny: A broader definition of Scrutiny is required to fully address the scope and complexity of large projects. Greater clarity is required between the so-called ‘critical friend’ role of challenging policy and decision-makers with a better balance between the scrutiny of the process and content of projects. Scrutiny should cover process, safeguard the public interest, governance and accountability and assess the impact of projects.

Failure to ensure the public interest was safeguarded: The what, where, when and how of the project and how the social and economic ‘transformation’ will be implemented remains a secret. Significant additional disclosure is essential if there is to be any genuine attempt to monitor and evaluate the performance of this contract.

Democratic deficits: The democratic process was flawed in the appraisal and procurement process. The governance structure of Southwest One was branded ‘confidential’, yet the company is funded by over £400m of public money

The questionable role of HR in public procurement: The failure to provide full minutes of meetings, delays in responding to information requests, the confidential treatment of the Staffing Agreement and other matters indicate that a reconstruction of good industrial relations is a task for Southwest One.

Flawed options appraisal: The two previous UNISON reports showed how the councils had set out to have a SSP *before* they had carried out an Options Appraisal and then sought to structure the appraisal process to this end.

Three important changes are required in the policy-making process. Local authorities and public bodies should be required to produce a Participation and Engagement Plan for the commissioning and procurement process, procurement documents should contain statements about their expectations of bidders in facilitating participation and their approach to access to information and protocols on user/community participation, staff/trade Union participation and access to Information protocols should be an integral part of local authority procurement policies and strategies.

Access to information

An unprecedented level of commercial confidentiality was imposed during the procurement process of Southwest One.

It is essential that access to information be discussed as part of a branch strategy at the earliest possible date. Information and Participation Protocols should be in place as part of the authority’s service review, options appraisal and procurement policies. There are advantages and disadvantages of signing an Information Agreement, which must be considered at an early stage.

The Somerset project illustrated the limitations of resorting to a Freedom of Information strategy to obtain information. Instead of believing that most information in the procurement process should be withheld, local authorities and public bodies should start with the premise that information should be in the public domain unless there are grounds for maintaining commercial confidentiality. In other words, the emphasis must be reversed to one where a case must be made for not releasing information. This is Proactive Disclosure.

The new agenda

Southwest One has begun the ‘transformation’ process, which means a new agenda for Somerset CC and Taunton Deane staff and UNISON branches. A UNISON regional strategy is needed to support branches in authorities, which consider service delivery contracts with Southwest One or any rival SSP proposals. Local authorities and public bodies, including those who signed up to the original OJEU contract notice, are *not* compelled to use Southwest

One as their shared services partner. Smaller clusters of local authorities and public bodies could be formed to deliver in-house shared services.

A good working relationship between Southwest One and UNISON has many important advantages for IBM, the local authorities and staff. The report sets out a series of advantages including facilitating the implementation of Business Process re-engineering and transformational change and addresses employment issues such as new working practices, redeployment and retraining.

Staff and trade union representatives must be involved in the planning and delivery of services. Central and local government best practice guidance explains the advantages and approach to their participation.

The implementation of social and economic transformation proposals should include rigorous impact assessment and integrated into local regeneration plans.

The framework agreement embracing other local authorities and public bodies means that they do not have to go through a procurement process to have services supplied by Southwest One. However, detailed planning, appraisal and negotiation will be needed by each authority considering Southwest One to supply services. The report suggests a series of criteria of inclusion in a cost benefit assessment.

Recommendations

The report makes a series of recommendations for Southwest One, local authorities and public bodies in the South West, national public policy changes and a UNISON strategy for the South West.

Southwest One

- Improved industrial relations in the JVC
- Participation in business process reengineering and management of change
- Consultation regarding the supply of services to additional authorities
- Participation in the implementation of social and economic transformation

Local authorities and public bodies in the South West

- Changes in scrutiny and overview to focus on the policy and project process, safeguarding the public interest, governance and accountability and impact assessment.
- A joint Scrutiny programme and timetable should be established to review the performance, governance arrangements, transformational change, the social and economic transformation programme, and the operation of the framework agreement and other aspects of Southwest One.
- Scrutiny should invite UNISON to participate and give evidence to Scrutiny reviews of Southwest One.
- Facilitate submission of evidence and attendance of witnesses from all relevant organisations including trade unions and community organisations.
- Devise a methodology for Scrutiny in the event that Southwest One provides services to other public bodies in the region.
- Development of shared services projects
- Ensure redirection of savings to frontline services
- New shared services projects should be developed
- Workforce monitoring

- New options appraisal and procurement protocols
 - *Information protocol*
 - *Participatory protocols (staff/trade union and user/community)*
 - *Community engagement in options appraisal and procurement*

National policy changes

- A major review of participation and information rights in commissioning and procurement should include new rights and best practice guidance for staff/trade union and user/community organisation participation and new rights of access to information, options, project proposals, bids and contract performance information.
- Changes to participation and access to information in the procurement process - local authorities and public bodies should be required to produce a Participation and Engagement Plan for the commissioning and procurement process;
- Proposed changes in service review and options appraisal
- Changes in the application of commercial confidentiality and freedom of information in procurement and contracting
- Rights in secondments and JVCs
- Review of HR and industrial relations frameworks
- Changes in shared services projects including a commitment by authorities on employment policies and industrial relations frameworks as core issues.

UNISON South West Region strategy

The regions response to the new agenda created by Southwest One should include:

- A recruitment campaign in corporate and transactional services, training for shop stewards and establish regional intelligence network.
- Promote the development of in-house collaborative shared services projects.
- Establish a small task force from the Regional Committee to work alongside Regional Officers.
- Develop a UNISON Shared Services Strategy for the region as a matter of urgency.
- Ensure that smaller branches in the region have adequate resources and capacity to address shared services proposals.
- Ensure full impact assessment of all shared services projects:
- Demand a Scrutiny programme and timetable be established to review the performance, governance arrangements, transformational change, the social and economic transformation programme, and the operation of the framework agreement and other aspects of Southwest One.
- Campaign to get all local authorities and public bodies in the south west, initially targeting those, which signed the framework agreement, to include participation and information access protocols in their options appraisal and procurement policies.
- The unitary government proposals for Cornwall and Wiltshire provide an opportunity to ensure best practice options appraisal, procurement and shared services strategies are built into the new organisational and management structures.

UNISON nationally should draw up a national Shared Services Strategy and revise the SSP toolkit as a combined SSP/shared services guide for branches.

Part 1

Introduction: The procurement of Southwest One

Significance of Southwest One

- 1.1 Southwest One has achieved a number of 'firsts' but it is not the first project "*of its kind in UK local government*" as the two chief executives claim (Somerset CC Press Release, 5 December 2007). Thirty-one similar Strategic Service-delivery Partnerships (SSP) have been launched in Britain although two were terminated and another two projects have been significantly reduced in scope because of poor performance. Although the basic concept is the same, Southwest One has some distinguishing features:
- First SSP to potentially involve a Police Authority as a founding partner with local authorities.
 - First SSP to have a framework agreement – covering all local authorities in the south west and several public sector bodies signed up – which could potentially become a large regional shared service project creating a regional business centre, which previous SSPs have failed to achieve.
 - First to combine secondment and a 10-year assurance to staff in the founding authorities of the JVC.
 - First SSP with a very high level of secrecy and so little known about the terms of the contract, finance and affordability, impact and the proposals for 'social transformation'.
 - First large SSP contract for IBM (they have a smaller contract with Bradford City Council with Serco).
 - The second largest SSP contract by value (currently Birmingham City Council's £604m contract with Capita is the largest) but Southwest One has growth potential through the framework agreement.
 - Only the second SSP to be developed jointly by two local authorities.

Aims of the report

- 1.2 The objectives of this report are:
- To expose the unprecedented use of commercial confidentiality in the procurement process.
 - To identify effective ways for UNISON to respond to the new agenda since Southwest One became operational.
 - To make proposals to improve the industrial relations framework in Southwest One.
 - To identify regional and national trade union strategies needed to achieve fundamental changes in the accountability and transparency of the options appraisal and procurement processes.

Origin of Southwest One

- 1.3 In September 2007 Somerset CC and Taunton Deane DC concluded the ISiS Strategic Service-delivery Partnership with IBM and Mouchel Parkman with an unprecedented use of 'commercial confidentiality'. A £400m contract was signed with virtually no public engagement, no evidence that a full impact assessment had been carried out or that the public interest had been fully taken into account.
- 1.4 The two UNISON branches ability to represent their members was restricted despite the rigorous efforts of both branches. In addition, there was a critical failure of Scrutiny in both councils to provide adequate challenge to the process and assess the implications for service users, staff, council taxpayers and the Somerset economy. Even when the European Services Strategy Unit signed an information agreement with both local authorities and IBM, no additional information was forthcoming.
- 1.5 Somerset County Council and Taunton Deane Borough Council formed the Improving Services in Somerset (ISiS) project in 2004. Avon and Somerset Police joined the procurement process in late 2006.
- 1.6 An Invitation To Negotiate (ITN) was issued in March 2006. IBM (with HBS Business Services and Mouchel Parkman) were appointed preferred bidder in March 2007 following an evaluation of bids from two other bidders – Capita and BT (with Carillion and Xerox). On 7 August 2007, Mouchel Parkman acquired HBS in a £46.2m deal ending HBS's loss making ownership by the private equity group Terra Firma that had invested £100m in HBS in 2001.
- 1.7 Somerset County Council UNISON branch commissioned the Centre for Public Services, now the European Services Strategy Unit (ESSU), for strategic advice on SSPs in 2005. A report, *The Flawed Options Appraisal and Outline Business Case for a Strategic Service-delivery Partnership*, was published in autumn 2005, which was highly critical of the council's approach to options appraisal and made the case for in-house transformation. A second report, *Somerset ISiS or Crisis?* was published by both branches in July 2007 towards the end of the preferred bidder negotiations with IBM. This report raised questions about the financial risks, savings, affordability and the scope of the social and economic transformation proposals.

Secondment

- 1.8 From the very beginning staff wanted secondment by a massive margin. Only 2 out of 828 staff expressed a preference for TUPE - 99.76% opting for secondment. Although the two authorities continued to refer to secondment being a 'preferred option' officers and Members knew that to change this policy would have put the project at risk.
- 1.9 Staff are seconded to Southwest One with assured employment for the contract period for staff employed by the three founding organisations. Staff retain local authority employment conditions and membership of Local Government Pension Scheme. However, IBM/Mouchel and ISiS pushed through a change in the original secondment proposal to allow the JVC to recruit and employ up to 30% of JVC staff. This reduced the principle of secondment and gave a false impression to staff. It weakens some of the advantages of secondment such as the retention of intellectual knowledge it seems inevitable that the directly employed staff are likely to be senior staff.
- 1.10 Secondment is stronger than TUPE Plus which is only effective if all elements are written into the contract – otherwise standard TUPE applies. It makes termination of the contract easier for the local authority to second staff back to the local authority because they will be on the same terms and conditions.
- 1.11 The Code of Practice on Workforce Matters recommends that local authorities monitor employment policies and practices to avoid a two-tier workforce emerging. However,

most authorities have difficulty rigorously monitoring service delivery in outsourced contracts and are unlikely to monitor workforce matters (more evidence re UNISON national briefing). A full discussion of the relative merits of secondment and TUPE Plus is not within the scope of this report.

Scope of the contract	
12 service areas:	
Human Resources	Design and Print
Finance	Facilities Management
ICT	Procurement
Customer Contact	Property services
Revenues (TDDC only)	Traded Services
Revenues (TDDC only)	Corporate Admin (TDDC only)
The 5 transformation projects:	
Customer Access (Including Locally Based Service Delivery)	
Professional Excellence Model	
Procurement Transformation	
SAP Back Office	
SAP technology Enablement Projects	

Job creation target abandoned

- 1.12 The brief public summaries of the BT and IBM bids showed that IBM would create 500 new jobs and BT 700 jobs. However, there are now no targets or contractual commitments to create new jobs. So why did IBM and the Councils abandon the 500 jobs target in the preferred bidder negotiations? The shared services agenda could concentrate employment in Taunton and lead to public sector job losses in other rural economies in the south west. Whether IBM's plans for inward investment will replace job losses, let alone increase employment, remains a key question.

Government policy

- 1.13 The Blair government established the Strategic Partnership Taskforce in 2001, which produced a series of reports and case studies and promoted the SSP approach. In addition, SSPs are a key part of the Labour's government's strategy for the transformation of public services. Several of the first group of SSPs were established by Labour-controlled local authorities, although not without opposition. The three main political parties have signed an almost equal number of SSP contracts and there is a political consensus over the principle of shared services. Whilst the Liberal Democrat controlled Somerset and Taunton Deane councils can be criticised for adopting the SSP model, they are implementing New Labour policy.

Shared services Framework Agreement

- 1.14 The ISiS project added a shared services dimension by using the framework agreement process, which allows public bodies to sign up at the OJEU Notice stage, which allows them later to join the project without having to undertake a separate procurement process. EU framework agreement conditions. Initially 36 local authorities and public bodies in the South West region signed up to the framework agreement including 3 County Councils, 2 city councils, 19 District Councils, 12 other public bodies including 1 PCT, 1 Police Authority and 7 Fire and Rescue Authorities. Only 22 public bodies agreed to be named, the remaining 14 wishing to be confidential – see Table 1.
- 1.15 However, Somerset CC later confirmed, following a Freedom of Information request, that *“the OJEU Notice stated that the procurement exercise was being conducted on*

behalf of all local authorities in the South West Region; therefore all local authorities in the Region are eligible to take advantage of the arrangements with Southwest One." (letter from County Solicitor to UNISON, 20 November 2007). This change is not quite so significant because Wiltshire and Cornwall will be unitary authorities, which leaves only a few local authorities in the rest of the southwest, which did not sign up. Furthermore, only those public bodies identified in the OJEU Notice are covered by the framework agreement.

- 1.16 Furthermore, much will depend on whether Cornwall and/or Wiltshire agree to have services supplied by Southwest One before or after unitary reorganisation. Reorganisation can be expected to achieve economy of scale and efficiency savings, which could reduce the level of further potential financial benefits if they sought service delivery from Southwest One after reorganisation.

Table 1: **Public bodies signed up to the Framework Agreement** (22 disclosed and 14 remain confidential)

Participants in Framework Agreement		
Avon	Devon	Wiltshire (Planned Unitary Council)
Avon and Somerset Police Authority Bath and North East Somerset PCT Bristol City Council Exmoor National Park Sedgemoor District Council South West Regional Assembly West Somerset District Council	East Devon District Council Plymouth City Council South Hams District Council Teignbridge District Council West Devon Borough Council	Kennet District Council North Wiltshire District Council West Wiltshire District Council
Cornwall (Planned Unitary Council)	Dorset	Gloucestershire
North Cornwall District Council	Purbeck District Council West Dorset District Council Weymouth and Portland Borough Council	Cheltenham Borough Council CotSouthwest Oneld District Council Tewkesbury Borough Council

Source: ISiS

Economics of Southwest One

- 1.17 ISiS senior management stated several times that the Business Case is not dependent on IBM winning the Avon and Somerset Police contract, nor on shared services contracts from other local authorities and public bodies. This point was made emphatically by senior management at a recent JCC meeting, although it never appeared in the minutes and at the March 2007 Somerset CC Scrutiny and Executive meetings.
- 1.18 We believe this is not the case and that IBM won the contract because it undercut BT and Capita and that it is dependent on winning additional shared services contracts. A number of factors support this conclusion.
- 1.19 Firstly, IBM is reported to have made presentations and/or is in discussion with some local authorities or public bodies in Devon and London Boroughs. If it is not financially dependent on winning shared services contracts why is it seeking additional shared services contracts when the ink is hardly dry on the contract?
- 1.20 Secondly, IBM's bid statement about creating 500 jobs has been dropped and Somerset CC senior management informed UNISON that there are no contractual commitments to create additional employment. The social and economic transformation programme is vague and may not produce any additional jobs in Somerset or the south west.

- 1.21 Thirdly, the withdrawal of Mouchel Parkman in September 2007 was understood to be about TUPE but we believe that there were other factors such as IBM putting financial pressure on Mouchel as a subcontractor. Mouchel had acquired HBS the previous month, which strengthened its position, and it withdrew from the contract in response to pressure on its margins from IBM. Mouchel quickly returned to the contract having engineered a shift in the power relations with IBM.
- 1.22 Finally, most SSP contractors target procurement because significant savings can usually be achieved quickly. This is another sign of the financial pressures on IBM, which launched a Procurement Transformation Category Management project in early December 2007. The Category Management process “enables cross-functional teams to break out of silos and leverage savings across a specific area of spend.” (Southwest One letter to staff, 5 December 2007). It targets travel, transport, estates, social care, environment and professional services.

Record savings?

- 1.23 The value of the contract, including the five transformational projects, is £400m of which £300.75m is Somerset CC responsibility (letter from Head of Client Function to UNISON, 21 December 2007). The Council's press release announcing the transfer of staff to SWO refers to savings of £200m (Somerset CC, 5 December 2007). This represents an astounding 50% savings rate! It is unclear whether the £200m is aspirational and assumes that many more local authorities and public bodies succeed in negotiating service delivery from Southwest One or whether it has been calculated solely in relation to the initial contract.
- 1.24 The Somerset CC unitary proposal forecast annual savings of £27.2m, which was based on the merging of all the services of six local authorities. Southwest One involves the joint delivery only of corporate services in just two authorities and hence the annual savings will be significantly lower. South Somerset DC's Unitary submission to the Department for Communities and Local Government referred to projected ISiS savings of £16.25m per annum but this was several months before the contract was concluded and there is no confirmation that this figure was accurate. IBM's profits must also be taken into account, as must the transaction costs. *Somerset ISiS or Crisis?* highlighted the wide range of hidden costs which could erode the level of savings in the contract period. In conclusion, the 50% savings rate is not credible.

Producer interest claims

- 1.25 Public sector trade unions are sometimes claimed to represent ‘producer interests’, in other words they take action to safeguard vested self-interest such as jobs and conditions of employment. It is a myth for four reasons. In this case, firstly, UNISON has consistently raised issues about the scope and quality of services and the social and economic transformation programme. Secondly, UNISON has sought to assess the impact of the SSP on the local economy and sustainable development. Thirdly, matters such as the governance of the SSP, accountability, affordability and other matters of public interest have been core parts of UNISON's agenda. Finally, those who usually make such claims frequently do so to divert attention from their own narrow political, managerial or business self-interest.

Process and outcomes

- 1.26 The government and Audit Commission focus only on outcomes and marginalise inputs, processes and outputs. However, procurement is a process which has many potential outcomes. For example, the extent to which user/community organisations and staff/trade unions are able to participate effects how they approach and engagement in local government generally. It determines the degree of trust they place

in the democratic process and affects the degree to which matters of public interest are taken into account. It is also a test of the effectiveness of the scrutiny process.

The potential negative impact of shared services projects

- 1.27 Whilst a shared services project may achieve financial savings and improved collaboration between authorities, there are also many potential negative impacts such as:
- The loss of jobs/changes to terms and conditions and relocation of employment.
 - New organisational models emerge which could extend the corporatisation of local government with more and more staff employed by arms length JVCs, companies and trusts.
 - UNISON's ability to scrutinise and represent its members could be compromised by employer support for staff forums resulting in weakening of organisation and influence, the loss of membership and income, and accepting the procurement culture could, in turn, change UNISON's organisational culture and values.

IBM's strategy

- 1.28 We believe there are three parts to IBM's commercial strategy;
- To maximise the use of the framework agreement to get many more local authorities and public bodies to sign up to Southwest One. This is a financial imperative in order to achieve profits, which are under pressure because of its bidding strategy. IBM must also deliver the promised social and economic transformation projects.
 - To try to win Police Authority contracts elsewhere in Britain – this is believed to be a key IBM commercial target.
 - To use the Southwest One model to increase IBM's market share in the shared services sector in Britain, the rest of Europe and globally.

IBM and strategy to foster shared services supply organisations

- 1.29 IBM has a number of central government ICT contracts but few in local government. It has a relatively small SSP contract with Serco in Bradford City Council and has recently been shortlisted for the retendered Sheffield City Council SSP contract currently operated by Liberata. IBM is to run London's congestion charge for five-year period from 2009, having replaced Capita.
- 1.30 IBM has proposed a 'third way' for shared services in the public sector (IBM, 2007). They have identified *"a potential gap in terms of innovative commercial solutions to satisfying and encouraging the wholesale public sector development of back-office Shared Services and cross departmental sharing and consolidation provision of these services."* It proposes a cooperative or mutual company model, similar to the former structure of the Cooperative Wholesale Society (CWS) providing an *"overarching procurement and contracting mechanism with suppliers"*. This would be an arms length delivery model to provide a 'commercial focus' but retain benefits and employment in the public sector.
- 1.31 IBM believes *"the approach provides a potentially more politically expedient model in terms of ownership and bringing in third-party expertise. Ownership is retained in the public sector, as are employees, but it allows for the placing of contracts for advice, management or even components to be let to the private sector..."*
- 1.32 Of course there are longer term consequences: *"If, in the longer term and for whatever reason, the public sector wanted to divest itself of the provision of Shared Services, the model would provide a clearer mechanism for doing this, with a separate and*

clearly identified structure which was trading in its own right. This would provide a much more straightforward route for valuation and sale or divestment, and setting up on the basis proposed would be a logical first step in the process.”

- 1.33 They identify four groupings of public services – families (Whitehall, Defra/DfT, and Home Office), local (local government, education, health, police and criminal justice), security (defence and intelligence) and money DWP and HMRC).
- 1.34 The Shared Services supply organisations *“are intended to be both public and private sector organisations, competing on an equal footing for the right to provide back-office Shared Services to the public sector market. Bids for supply contracts would be overseen by the wholesale organisation to ensure comparative benchmarks and efficiencies, value for money, protection of the public interest and open competition.”*

Part 2

Lessons for Somerset and Taunton Deane UNISON branches

Introduction

- 2.1 Although the Somerset CC and Taunton Deane DC UNISON branches were unable to persuade the respective councils to adopt an in-house strategy, they did ensure that there was no retreat from the secondment employment model (which happened in Oldham with Mouchel Parkman/HBS). They also exerted constant pressure on the SSP process and a degree of Scrutiny, which would otherwise have been less rigorous. Branch strategy was initially focused on exposing the flawed options appraisal process, making the case for an in-house approach and preventing the start of the procurement process.
- 2.2 Southwest One demonstrates the difficulty of opposing an SSP once the procurement process begins. Of the 32 SSPs only Newcastle City Council had an in-house bid (as a result of UNISON branch action). SSPs have been stopped later in the procurement process because local authorities failed to negotiate a viable deal rather than because of trade union action.

Lessons drawn from the procurement process

- 2.3 It is important to draw out the lessons of Southwest One, taking account of the local/regional dynamics, and the transition of the project from a more traditional SSP into a hybrid shared services project.
- 2.4 **An alternative in-house strategy was strongly advocated** in the first UNISON report *The Flawed Options Appraisal and Outline Business Case for a Strategic Service-delivery Partnership*. A decision to have an SSP with a Joint Venture Company was made prior to the examination of options. The selective research of case studies 'justified' this decision. ISiS responded to UNISON's critique by commissioning a report from PA Consultants to compile case studies from local authorities, which had adopted in-house strategies. ISiS had earlier organised a series of site visits, all of which were to authorities with SSPs but had shown no interest in visiting any authority, which had adopted an in-house strategy. Whilst the report was a useful compendium of in-house projects, it had little, if any, influence in ISiS.
- 2.5 **The combination of SSP and shared services project made it more difficult to oppose** because of some potentially positive aspects of shared services. In the early stages it was still basically an SSP rather than a hybrid shared services project. It was difficult for the two UNISON Branches to campaign to try to persuade other local authorities and public bodies not to sign the framework agreement.
- 2.6 Although the region and other branches knew about the framework agreement, it might be argued that a campaign around **shared services and the threat to jobs** would have had an impact. It may have challenged other local authorities and public bodies signing the framework agreement but may not have made any difference to the Somerset/Taunton and Avon and Somerset Police Authority positions on the SSP. It might also have had a negative response for UNISON in challenging the shared services element rather than the SSP.
- 2.7 **Shared services implications should have been more fully examined earlier?** This is difficult because there remain many questions on how many authorities and

which services reach agreement to use the framework agreement to get Southwest One to supply services. Different scenarios could have been drawn up but again this could have benefited the ISIS project rather than challenge it.

- 2.8 **A community campaign at options appraisal stage** may have increased opposition to the project but it was already evident that officers were determined to have a SSP. This was evident in the degree to which the councils persisted despite the flawed options appraisal process. Organising a campaign on corporate and transactional services is difficult because it is too often considered an internal matter, although many Members were still aware of the failure of the revenue and benefits contract in Taunton in 2000. At that stage there were no social and economic transformation proposals.
- 2.9 **Would signing a confidentiality agreement at options appraisal stage** have led to significantly increased access to meaningful information and enabled the second report to be more comprehensive? This is highly questionable because even when the UNISON branches negotiated for their adviser to sign an information agreement and meet with the ISIS team and IBM/Mouchel directors during the preferred bidder negotiations, no additional information was forthcoming. Signing an agreement at the options appraisal stage or before the procurement process began, and certainly before a preferred bidder was appointed may have led to more involvement and better access to information in the evaluation process. However, once IBM became the preferred bidder the secrecy blanket descended and the agreement may have had little value.
- 2.10 **Organising industrial action at a key stage may have had a positive impact** in the early stages of the procurement process but staff preference for secondment to a JVC (in contrast to outsourcing and TUPE transfer to a private contractor) made this more difficult to organise and did not take place. Once the procurement process commenced there was little likelihood of UNISON stopping or delaying the process, although it might have succeeded in winning other demands.
- 2.11 **UNISON submitted a series of questions to ISIS** but the answers were poor and difficult to respond to or to ask follow-up questions. Both Councils knew they were in a powerful position and that UNISON did not have access to the bids to challenge the replies and the local authorities interpretation of policies and impacts. A similar situation existed with the 20 questions in the second report and the ISIS response to these questions. This was a 'game' UNISON could not win because the Councils and IBM/Mouchel adopted the policy of revealing only bland statements. It relied on asking the 'right' question but that required at least a good background knowledge of the proposals being negotiated, which were considered 'confidential'. So even if properly targeted questions had been framed, the answers would almost certainly have been evasive.
- 2.12 **More regional support:** The UNISON region should have understood the implications of ISIS much earlier than it did, and this was not for any lack of information from the branches. The implications of an SSP was described in UNISON's first report in 2005 and the identity of many of the 36 signatories to the OJEU Notice were known. Regional support would have sent a stronger message to ISIS management and Elected Members. The region could have taken up the issue of the potential impact of shared services, which was difficult for the branch to address whilst opposing the SSP. Regional involvement might also have improved the quality of information and intelligence – it is crucial, particularly when there are several local authorities/public bodies involved, to obtain reliable quality information about developments and what is happening in each authority.
- 2.13 **Were opportunities missed to increase internal staff opposition to ISIS?** It may have been possible to increase opposition through more/better communications with the membership, using the threat of ISIS as a recruitment campaign and/or stronger

links with the Staff forum developing links. But the branches had limited resources and had to prioritise branch strategies.

- 2.14 **Were there lessons in how the two branches worked together?** Were there any differences in the approach of the two local authorities which could have been exploited – or was Somerset, as the much larger and lead authority, the dominant partner leaving few opportunities? Only a handful of branch officers were involved in the procurement process and had a wide range of other issues to negotiate. Increased facility time for branch officers and shop stewards is essential in any large procurement.

New strategy

- 2.15 A new agenda is necessary now that the procurement phase is over. The contract has been signed and staff were seconded to Southwest One during November/December 2007. A new set of key issues must be addressed by UNISON. Many industrial relations issues will arise in the JVC as it begins the implementation of the transformation process and uses the framework agreement to try to win new clients.
- 2.16 There are many rumours about IBM promoting Southwest One in other parts of the south west and in London Boroughs. There will be much hype from IBM and the two local authorities on the importance of this project and its potential scope. The forthcoming period of implementing transformation and negotiating to extend services to more local authorities and public bodies will be a testing time – see Part 6.

Part 3

Continued opposition to the contract culture

Introduction

- 3.1 This section draws on the experience of Somerset's three-year SSP appraisal and procurement process. The government's public services reform strategy requires local authorities to reorganise and restructure to promote commissioning, contestability and choice through market mechanisms. But commissioning and contestability requires the mainstreaming of the procurement process in all council services. It creates a contract culture. The trend is for larger multi-service, multi-million pound, long-term contracts that have a significant impact on services, users, staff and the local economy.
- 3.2 Commissioning is often claimed to be a neutral process which seeks the 'best offer' from either in-house, private and third sector service providers. But commissioning goes hand in glove with contestability, which requires local authorities and public bodies to support and create markets in services. It also gives consultants and advisers increased influence and they are major promoters of outsourcing and transfers to arms length companies. The fact that some voluntary and community organisation embrace the contract culture and win a small percentage of contracts cannot justify the policy.
- 3.3 The chapter begins with a summary of the consequences of extending procurement in local government. The second part discusses how the new Local Government and Public Involvement Act 2007 will affect the procurement process.

Opposing the contract culture

- 3.4 UNISON, and the previous constituent unions, have opposed competitive tendering and the client-contractor split for nearly three decades. Service users, community organisations, staff and trade unions should not accept or acquiesce to commissioning and competitive tendering.
- 3.5 The detailed reasons why commissioning and contestability should be opposed are:
- Reduced focus on in-house improvement plans, in-house options and the submission of in-house bids leads to **increased outsourcing and PPP projects** – thus creating a vicious circle.
 - **Erodes public service principles and values** as business practice and commercial values increasingly dominate service delivery.
 - Public service language is being replaced by a **language of the marketplace** – contestability, brokers, soft market test, the offer, market mechanisms – which intended to change attitudes, priorities and imbed marketisation in the public sector.
 - The growth of arms length companies, trusts and Joint Venture Companies will lead to further **corporatisation and fragmentation of democratic accountability and transparency**.
 - Local authority and public body **resources are diverted into 'making markets'** by shaping contracts to suit business, consulting business interests and designing business- friendly regulatory frameworks. The notion of creating a 'mixed economy'

and 'level playing field' are simplistic and ignore the economic realities of private sector cherry picking, cross subsidising contracts and using loss leader strategies, exploiting labour, the use of gaming tactics to take advantage of market forces and regulatory regimes, and achieving economies of scale not available to the public sector.

- A **client-contractor split** is imposed on service delivery followed by the **transfer of in-house service delivery units to arms length trading organisations** or companies and their eventual **privatisation** through trade sales or 'partnerships'.
- Public sector employees will be **more regularly transferred between employers** with consequences for the continuity of terms and conditions, pensions, training and career development.
- **Job security** is dependent on TUPE, TUPE Plus and secondment but they have weaknesses and require local authorities to monitor the employment practices of contractors. There is little evidence that this is being done now so there can be little trust that it will happen in a contract friendly culture.
- **A contract culture** and procurement processes will increasingly dominate JCC and industrial relations machinery.
- **Reduces the scope of public management** because an increasing proportion of staff are engaged in commissioning, procurement and contract management. The planning, management and operational skills required to deliver public services are increasingly taken over by private contractors.
- Wider use of management consultants, legal and technical advisers as contracts get larger and more complex. This is not only costly but **reduces the capability of in-house services and ultimately leads to more privatisation**.
- There have already been attempts to **outsource commissioning** itself, which is the logical next step if the commissioning and contestability policy is accepted. This will involve private consultants and contractors assessing needs and services, writing specifications, selecting outputs and outcomes, carrying out options appraisals, managing the procurement process, evaluating bids from other private contractors and monitoring their performance.
- More and more **shared services projects will bypass in-house provision** and are likely to consider only outsourcing options.
- A greater share of public spending will be absorbed by **transaction costs** – the cost of management consultants, lawyers, managing the procurement process, managing and monitoring contracts. Procurement is expensive – SSP procurement costs alone are about £3m – which can divert resources from frontline services.
- **Increases reliance on contract monitoring**, which has rarely been rigorous and comprehensive, as it is often the target of budget pressures and 'efficiency' savings.
- **Financial savings exaggerated**. Competitive tendering savings were claimed to be 25% but government funded research proved conclusively that savings ranged from a maximum 8% to a -16% cost (Whitfield, 2001).
- It will **fundamentally change the culture of UNISON** with an increasing proportion of members employed in the private sector. Policy and activities will have to concentrate on providing contract and procurement support and advice for branches and members. Radical branch restructuring is likely to be required as new branches are formed in outsourced contracts, existing branches suffer a decline in membership and many private contractors seize the opportunity to promote staff forums to undermine trade union organisation and representation.

- The International Monetary Fund concluded “*Much of the case for public private partnerships rests on the relative efficiency of the private sector. Whilst there is an extensive literature on this subject, the theory is ambiguous and the empirical evidence is mixed*” (IMF, 2004).
- 3.6 The two previous Somerset/Taunton Deane UNISON reports demonstrated that there is a viable alternative to commissioning, contestability and outsourcing. Other local authorities have rejected the SSP approach and have successfully financed and implemented in-house transformation strategies.

Impact of the new Local Government and Public Involvement Act

- 3.7 The new Local Government and Public Involvement Act 2007 is expected to come into effect in early 2008 but the duty to involve local representatives will not be implemented until April 2009 (DCLG, 2007). The legislation leaves the decision about when and how to involve ‘representatives of local persons’ to the local authority. In meeting the duty, the authority can take a number of factors into account such as the possible benefits and costs of involvement, previous engagement or involvement, accessibility, proportionality, partnership working, coordination and timing.
- 3.8 It would have been an advantage if the duty had been in place before the ISiS project started but Somerset CC, Taunton Deane DC and IBM would have been able to use the ‘freedom and flexibility’ in the legislation to minimise community engagement.
- 3.9 Unfortunately, the new Act does not directly address community or staff involvement in the procurement process despite mainstreaming commissioning and contestability in service delivery.
- 3.10 Important changes in Best Value and the new focus on commissioning are tucked away at the end of the DCLG’s draft guidance on the Act. Best Value is described as balancing competing pressures such as responding to the needs of all sections of the community; seeking to address the whole-life costs of decisions, focusing on early intervention and achieving sustainable outcomes; exploiting economies of scale and achieving locally-responsive services (ibid).
- 3.11 The duty to conduct Best Value Reviews and produce annual Best Value Performance Plans has been removed. However, local authorities are now urged to “regularly and rigorously assess and review the competitiveness of those services against similar services provided by other statutory bodies, local authorities or other service providers” (Para 6.11, Draft Guidance, DCLG, 2007).
- 3.12 The Guidance describes commissioning as:
- “*User and community engagement and needs analysis;*
 - *Strategically planning for services which deliver sustainable outcomes;*
 - *Implementing plans, shaping markets, securing services and outcomes;*
 - *Monitoring the delivery of outcomes, evaluating and challenging services*” (ibid).
- 3.13 Commissioning has a language which belies what it means in practice. Examining the four components of commissioning more closely supports this perspective.
- 3.14 Firstly, user and community engagement, often described as ‘community empowerment’, is largely superficial, sporadic and results in very little, if any, political empowerment. The claim that the separation of commissioning and service provision allows the local authority “to champion the interests of citizens” is not credible.
- 3.15 Secondly, there is little connection between the aspirational visions in (now Sustainable) Community Plans and policy and project implementation. There is no

practical link between the 'visions' and most service delivery and infrastructure projects. Nevertheless, authorities can tick the appropriate 'strategic' box.

- 3.16 Thirdly, creating a 'mixed economy of service provision' through 'shaping markets', contracting and co-production diverts resources and skills from frontline delivery to managing competing business interests. Most private contractors are national or transnational companies and they dominate the corporate services, ICT, health, transport, construction, waste, PPP/PFI and facilities management sectors. The concept of 'local markets' is applicable only to certain services. The more that local authorities intervene to support markets and outsource services, the more that markets consolidate and larger companies gain market share. The history of Compulsory Competitive Tendering (CCT) in the 1990s clearly demonstrated how market forces operate and the limited ability of local authorities to influence them when central government creates a pro-business regulatory framework.
- 3.17 Fourthly, simplistic statements about outcomes conceal real difficulties identifying cause and effect. Furthermore, monitoring of the Best Value Code of Practice on Workforce Matters in Local Authority Service Contracts, and similar agreements in the other parts of the public sector, has been minimal by local authorities and trade unions. Organisational and service exemptions and the refusal of some contractors to apply the Code undermine its effectiveness. Assessing outcomes and evaluating and challenging services requires rigorous and continuous monitoring. This raises major questions about the potential effectiveness of social clauses in procurement.
- 3.18 Finally, commissioning means that procurement, and the activities which support it, becomes the centerpiece of service delivery. Local authorities statutory responsibilities, budget pressures and the EU/UK procurement legal framework means that these activities must be prioritised. This is followed by the market-making, business consultation and market regulation activities required to support the procurement process. The extent and quality of user consultation, assessment of social needs, planning and monitoring frequently depend on when, and if, resources are available.

Part 4

Scrutiny, governance, participation, impact assessment and neglect of the public interest

4.1 This section addresses the fundamental shortcomings in the ISiS procurement process.

- Failure to engage the community
- Failure of scrutiny
- Failure to ensure the public interest was safeguarded
- Democratic deficits
- The questionable role of HR in public procurement
- Flawed options appraisal
- Changes in the policy-making process

Failure to engage the community

4.2 IBM's press release on contract signing referred to "*better outcomes for the people of Somerset*", "*better services to our local community*", "*significantly improved services to both local authorities*" (IBM, 2007). So how can two local authorities and a major IT company, in the name of public service reform, spend over £400m of public money (the ten-year contract value) and not make any effort to engage and consult with the public? The public interest aspects of IBM's proposals are discussed in more detail below.

4.3 The only consultation undertaken by ISiS was with 'internal' clients such as schools. The *Somerset ISiS or Crisis?* report described the absence of community participation or engagement in the appraisal and procurement process. Given government guidance on the importance of community engagement (which dates back to before the ISiS project began), community organisations and council taxpayers in Somerset could conclude that the guidance is virtually meaningless if local authorities can pick and choose when to apply it. They could also conclude that the ISiS project was fundamentally flawed because it failed to engage with the community.

Failure of Scrutiny

Role and theory of Scrutiny

4.4 Four principles are said to underpin scrutiny in local government – provision of a 'critical friend' challenge to executive policy-makers and decision-makers; to facilitate the voice and concerns of the public and its communities; it is carried out by 'independent minded governors' who lead and own the scrutiny process, and it drives improvement in public services (Centre for Public Scrutiny). However, this is rather a limited definition because it does not make any reference to acting in the public interest or obtaining value for money. "Enabling voice and concerns" and "the public and its communities" are vague.

- 4.5 The level of independent scrutiny is extremely limited. Gateway Reviews are constrained in scope and purpose to assessing the degree of rigor and comprehensiveness of the chosen approach – it does not challenge the policy option. In other words, if an authority has chosen to procure an SSP it assesses the quality of the work undertaken in implementing this decision, it does not challenge the authority to adopt an alternative policy. They are peer reviews undertaken by the 4ps with officers from other local authorities, which have experience from the same process.

What role for Scrutiny

- 4.6 A broader definition of Scrutiny is required to fully address the scope and complexity of large projects. Greater clarity is required between the so-called 'critical friend' role of challenging policy and decision-makers with a better balance between the scrutiny of the process and content of projects. Scrutiny should, therefore, have the following objectives and functions:

Process

- Ensure service improvement, options appraisal and procurement processes are undertaken rigorously and comprehensively according to best practice.
- Ensure that evaluation process at different stages takes account of all costs and benefits.
- Ensure participation and consultation with relevant user, staff and organisations;
- Ensure access to information to facilitate participation;
- Provide a challenge during preferred bidder negotiations;
- Ensure recommendations of Gateway Reviews are fully considered and implemented where appropriate;

Safeguarding the public interest

- Assess financial resources and affordability;
- Division of roles and responsibilities between public and private sector;
- Use and management of public assets;
- Enhance public capability and intellectual knowledge;
- Ensure potential conflicts of interest are removed;
- Ensure adequate contract management, monitoring and performance assessment.

Governance and accountability

- Ensure effective governance structures and accountability;
- Review of contract performance and workforce matters;

Impact

- Consider the long-term effects and consequences of policies and proposals;
- Ensure rigorous assessment of economic, social, health and sustainable development impacts.

Scrutiny at different stages in Somerset

- 4.7 The ISiS project was examined by Scrutiny at different stages of the options appraisal and procurement process. Somerset CC Scrutiny examined the ISiS project six times between September 2005 and September 2007 but Taunton Deane DC did so only twice.

Somerset CC (Overview and Scrutiny)

September 2005 – recommended further discussion with UNISON and investigating of “in-sourcing” option.

January 2006 – further confidential session on options

March 2006 – joint session with the Executive Board, which approved the Outline Business Case prior to tender process.

January 2007 – Update and presentations from the three short-listed bidders.

March 2007 – Joint session with the Executive Board in closed session which concurred with the decision to appoint IBM as preferred bidder.

September 2007 – discuss progress since March 2007 and consider the MAANA Gateway Review.

Taunton Deane DC (Review Board)

April 2006 (verbal presentation) - Resources Review Panel

February 2007 - Review Board

4.8 *Somerset ISiS or Crisis?* described many shortcomings in the scrutiny process. UNISON considers that scrutiny had failed in several respects:

- It did not fully scrutinise in public IBM’s proposals to assess their scope, content, financial and implementation.
- It did not fully assess in public the potential economic, social and sustainable development impact of the proposals.
- It appeared to have made only a superficial assessment of the client side structure and the governance arrangements because this was significantly increased a few weeks later (see below).
- It did not make any significant challenges to the way in which the ISiS project implementation the options appraisal and procurement processes despite UNISON expressing serious concerns at various stages.

Failure to fully address contract management and monitoring

4.9 The Client Function has several key responsibilities to manage the Southwest One contract, ensuring delivery of all agreed service outputs, act as liaison between the JVCo and the organisation, to scope, commission and monitor related projects and to operate the payment mechanism for the contract.

4.10 A report on the scope and size of the Somerset CC Client Function was submitted to Scrutiny Committee on 10 July 2007. It had five professional staff with two support officers (Somerset CC, 2007). The proposal had been presented to the Resources Directorate Senior Management Team in June 2007 and we can assume was approved by the Council’s advisers. The report referred to it as a ‘lean’ structure which *“had been designed carefully to ensure it can draw upon the wider resources and ‘intelligence’ located around the organisation”* (ibid). The Scrutiny meeting seemed more concerned about how the client functions could be shared between Taunton Dean DC and the Police Authority than on the adequacy of the structure (Somerset CC, 2007). UNISON believed the proposed structure was under-resourced but their comments were ignored.

4.11 Yet within weeks the Client Function was significantly changed and increased to nine staff with the addition of two senior staff for Business Transformation and Business Operations to manage projects, client liaison, contract and performance officers. It is

questionable whether even the increased resources will be adequate. The Audit Commission study of SSPs recommends that councils with large or multi-functional SSPs should expect to invest at least 3% of the annual contract value to resource the client side (Audit Commission, 2008). This would amount to £1.2m for Southwest One, which is about three times the planned expenditure.

- 4.12 IBM was able to persuade the local authorities that the Staffing Agreement should permit Southwest One to directly employ up to 30% of staff because it feared that the authorities would not have the required level of skills. It is essential that both local authorities have adequate capability (skills, experience and capacity) to fully perform the client function and to prevent a reduction in seconded staff.

Failure to ensure the public interest was safeguarded

- 4.13 The day after IBM was appointed preferred bidder it made a presentation to the Resources Directorate (22 March 2007), which stated that 'Economic Growth' was one of four elements on a slide entitled 'What it means for the public'. As we noted in the *Somerset ISiS or Crisis* report, IBM's bid summary referred to the company helping Taunton and Somerset to meet their key objectives such as new employment opportunities, contribute to economic growth and reduce deprivation in priority areas.
- 4.14 Because of the lack of information forthcoming about how these objectives will be achieved, we asked a number of questions about job creation and inward investment. The Councils response stated that "Job creation was not one of the objectives of the ISiS Programme – as such there are no targets within the contract". The response to a question about what level of inward investment is forecast was "There will be inward investment as a result of the core deal and from future transformation projects. The Wave 1 projects are not focused on inward investment" (ISiS, September 2007).
- 4.15 The Branches found the responses from the councils to be evasive and lack of information. We noted in Part 2 how a pattern emerged in which IBM, Somerset CC and Taunton Deane DC responded only to particular points raised in questions supplying minimal information or comment.

The public interest of SSPs and shared services projects

- 4.16 There are a number of project-wide issues which are relevant to all SSP/PPP projects.
- 4.17 Firstly, the affordability, risks and sustainable viability of multi-million pound, multi-service, long-term contracts between local government and private companies are a matter of public interest.
- 4.18 Secondly, the contractual terms, responsibilities and conditions between local authorities and private companies should be disclosed and transparent in order to make democratic governance, accountability and community participation meaningful. This can be achieved whilst also maintaining a necessary level of confidentiality.
- 4.19 Thirdly, the choices, balances and priorities between frontline and central or corporate services are matters of public interest.
- 4.20 Fourthly, establishing new long-term governance arrangements for the management and accountability of a large group of services and assets.
- 4.21 Fifthly, how will public intellectual knowledge be safeguarded and enhanced. In addition, how will personal data and information be kept secure and confidential?
- 4.22 Finally, how will the public, civil and community organisations be consulted and participate in the decision-making process during the options appraisal and procurement process and over the contract period.

Assessing public interest

- 4.23 The next section examines each of IBM's proposals for the 'social transformation' of the South West to identify the degree to which they impact on the public interest and therefore have been subjected to public consultation. See Appendix 1 for a summary of IBM's proposals.
- 4.24 The proposals are divided into two groups. The first group are considered to be community and trade union issues, which require public debate on the proposals, costs and benefits and their implementation. The second group are essentially matters for consultation between trade unions and the authority.

Community and trade union issues

4.25 ***Diversifying Corporate Services more efficiently and effectively***

- *Create a single shared services centre with one customer and delivery-focused culture.*
- *Take on new business from 3rd parties such as Councils and other public bodies.*
- *Invest in class-leading Enterprise Resource Planning (ERP) system, which will enable better management of corporate information and help the business to grow.*
- *Effective use of property and assets.*

- 4.26 The four proposals have a public interest dimension. The involvement of the Avon and Somerset Police Authority in these proposals and those below raises issues of data protection (raising important public interest questions about how far should data/service integration go and who should have access to it), cultural and management synergy and accountability. The speed/timing and scale of taking on new business from other local authorities and public bodies is also a matter of public interest because this could have a significant impact on services delivered by Somerset CC and Taunton Deane DC.

4.27 ***Transforming the way the Councils do business across the enterprise***

- *Transform customer access through CRM, a new channel strategy including new contact centres in Taunton and Somerset's four towns and access through citizen, Member and employee portals.*
- *Segment customers to develop a single view and to tailor services supported through improved information management and a citizen index.*
- *Transform procurement processes to release money for investment.*

- 4.28 These three aspects of Corporate Services raise matters of public interest. Somerset Council Leader has said that it *"is about looking at things from residents point of view, instead of looking at things from the service delivery perspective. Go to residents first..."* (The Resident is Always Right, Jill Shortland, *Leaner, Greener, Keener: Insights and inspirations in delivering change in the UK Public Sector*, IBM, 2007).

- 4.29 So why were residents not consulted about the role and function of the new contact centres? Meaningful participation involves people in the design of the whole system, not just the design of individual contact centres once a decision has been made to build them.

4.30 ***Improving public services through multi-agency integration***

- *Integrate service initiatives for Children's and Adult Services to improve services provided across agencies.*
- *Develop electronic single assessment processes across multi-agencies for older people with complex needs.*

- *Help people with needs in their own homes.*
 - *Improve access to multi-agency services from a single point of contact.*
- 4.31 ***Driving social and economic development***
- *Develop a county-wide network for Broadband.*
 - *Build an iconic Business Centre in Taunton to house the ISiS Partnership.*
 - *Create an IBM Delivery Centre and a Contact Centre.*
 - *Support the establishment of an Inward Investment Agency for Somerset.*
 - *Potential to create a virtual university to attract/retain best talent.*
 - *Connect the Councils to IBM links to local education providers.*
- 4.32 All the above proposals have social, economic and sustainable development implications for individual towns and the Somerset economy. But no details have been released, assuming that the bid contains more flesh on the bones other than IBM's diagram. Nor do Somerset residents or public sector staff know whether any or all of these projects are contract commitments, the timetable for implementation, funding responsibilities or their costs and benefits. If these proposals were part of a regeneration bid, IBM and Somerset/Taunton Deane Councils would be under immense pressure to provide details of the proposals.

Specific trade union issues

- 4.33 Many of IBM's proposals are essentially matters for the trade unions and include:
- Diversifying Corporate Services more efficiently and effectively
 - Consolidate and re-engineer current processes.
 - Invest in the development and careers of people.
 - Creating new opportunities for staff development.
 - Creating a new culture through introduction of a professional services environment.
 - Transforming the way the Councils do business across the enterprise
 - Invest in new technology and improved processes.
 - Rationalise and integrate common service areas and information that exists across Directorates in both Councils.
 - Enable more flexible ways of working such as mobile and home working.
- 4.34 UNISON expects to be consulted on all these proposals through Southwest One's industrial relations framework.

Conclusion

- 4.35 Little or no information has been made available which describes the obligations and contractual commitments for IBM and the local authorities. The £400m contract price tag is vague and does not indicate whether IBM is making any financial investment in the project. The what, where, when and how of the project and the social and economic 'transformation' remains a joint local state/IBM/Mouchel Parkman secret. Significant additional disclosure is essential if there is to be any genuine attempt to monitor and evaluate the performance of this contract.

Democratic deficits

- 4.36 The democratic process has been flawed in a number of respects, in addition to the serious concerns over the appraisal and procurement process discussed in other sections of this and the previous UNISON reports.

No vote

- 4.37 Both local authorities had made a decision in principle to proceed with the contract with IBM in July 2007 giving officers the authority to conclude a final deal. However, over two months later following continued negotiations and the withdrawal and then reinstatement of Mouchel Parkman as subcontractor (see below), UNISON believed that the full Council of both authorities should have met to approve or reject the final terms of the contract. A formal letter was sent to the Leaders of both Councils requesting the matter “to be considered at Full Council and for a recorded vote of all elected members” (UNISON letter, 20 September 2007).
- 4.38 However, both local authorities refused to do so, claiming that their respective Executive Boards had given ISiS officers delegated powers to conclude the deal with IBM. The Leader of Somerset CC, Jill Shortland, claimed “there is nothing in the Council’s constitution that enables me to refer this matter to Full Council” (Letter to UNISON, 24 September 2007). Yet the relevant section of the Council’s constitution states:

“(Chairing the Council)

(c) To ensure that the Council meeting is a forum for the debate of matters of concern to the local community and the place at which members who are not on the Executive Board are able to hold the Board to account;

(d) to promote public involvement in the Council’s activities;

(e) to be the conscience of the Council;”

Confidential JVC governance structure

- 4.39 A few days before the contract was signed, UNISON was given a one-page diagram of the proposed governance structure for Southwest One headed ‘CONFIDENTIAL’. This merely demonstrated the folly of the secrecy regime adopted by IBM/Somerset CC/Taunton Deane DC. Three important observations support this view. Firstly, there is nothing in the content of the diagram which could be construed as ‘commercially confidential’ by any stretch of the imagination. Secondly, the proposed governance structure of a joint venture company funded by over £400m of public money is a matter of public interest. Finally, more detailed governance diagrams of other SSP projects are publicly available in the government’s Strategic Partnership Taskforce reports and in case studies published by the 4ps (which carried out the first Gateway Review in Somerset). All are freely available to download from the internet.
- 4.40 The original diagram was very basic and did not include democratic arrangements for reporting back to partner authorities or how the industrial relations framework fitted in. The arrangements have subsequently been refined – see the core structure and meeting arrangements in Figure 1.
- 4.41 The Joint Venture Company, Southwest One, is 81% controlled by IBM. This is reflected in membership of the Main and Operating Boards. Mouchel Parkman is not represented.

SOUTHWEST ONE structure - Main Board

Simon Humberstone, Executive Partner, IBM Business Consulting Services

John Granger, Executive Partner, Head of IBM Business Services in UK and South Africa.

Cllr Simon Coles, Taunton Deane DC

Cllr David Greene, Somerset CC, Portfolio Holder, Resources and Finance.

Operating Board (all IBM)

Richard Jones, Interim Chief Executive, Vice President, IBM public sector business

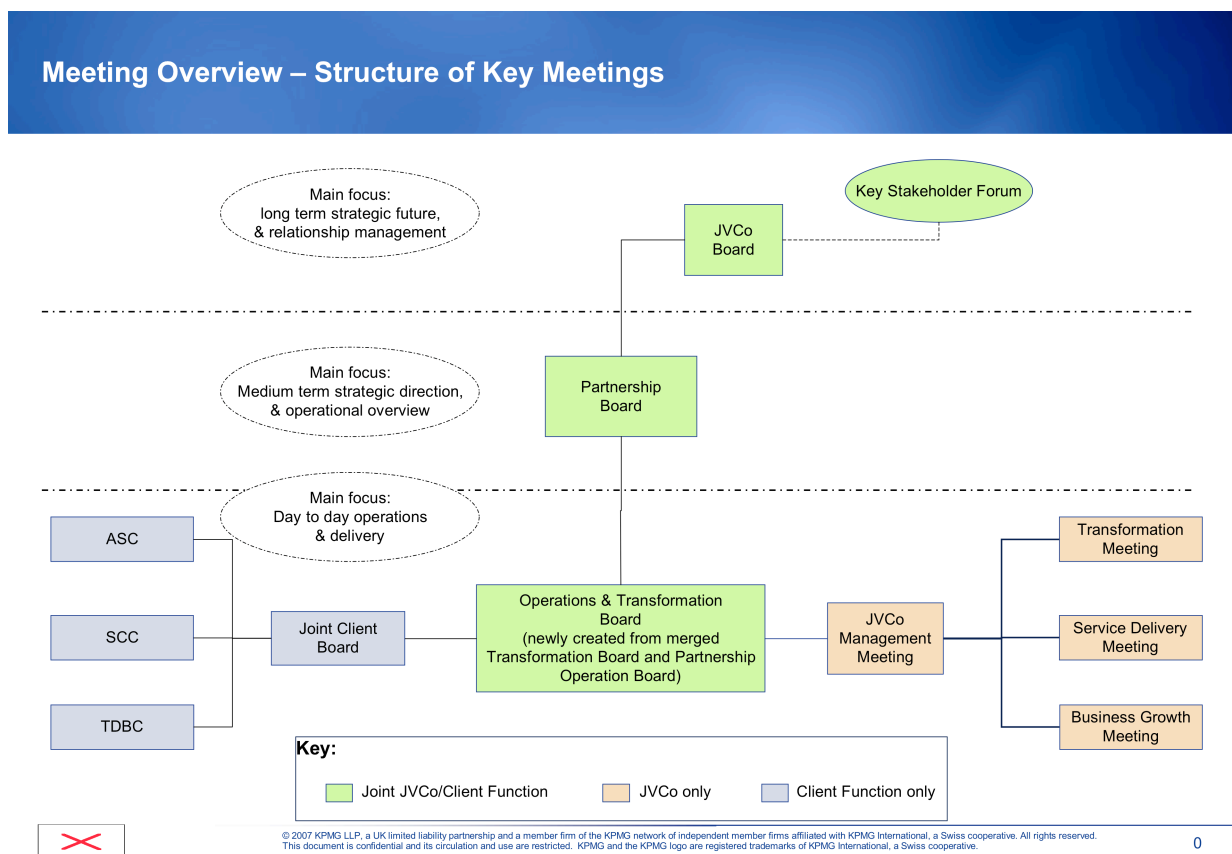
Mark Whittle, Director Finance, Finance and Planning Manager, IBM Service Delivery organisation.

Paul Lyons, Director of Services Operations.

Catrin Oliver, Interim Director of Human Resources, Senior Managing Consultant, IBM Human Capital Management group.

Alan Thurlow, Director of Transformation.

Figure 1: Southwest One Board structure



Dispute between IBM and Mouchel

4.42 Dispute at late stage in preferred bidder negotiations between the two contractors. “....after a number of weeks of negotiations between Mouchel Parkman/HBS and IBM, MP/HBS have decided to withdraw from the ISiS partnership” (ISiS bulletin, Friday 7 September 2007). The bulletin stated, “IBM has outlined robust alternative

arrangements". A Mouchel Parkman letter to the two Councils reportedly demanded a TUPE transfer of staff instead of secondment. It is not credible that this was the only issue when Mouchel had known that secondment was the preferred option for months. This indicates that there were also financial issues between Mouchel and IBM and/or ISiS. ISiS later said this letter had been 'withdrawn'. The following week negotiations were reportedly held between IBM and Mouchel Parkman and by late September Mouchel were back in the project. The reasons for this dispute so late in the preferred bidder negotiations and the terms on which they returned with respect to the public interest, have never been released.

Key performance indicators substitute for accountability?

- 4.43 HBS Business Services, previously another subcontractor before its acquisition by Mouchel Park in August 2007) claimed that Key Performance Indicators (KPIs) would have a key role in the governance of the JVC. However, KPIs have only a minor role in accountability.
- 4.44 They serve another purpose, ensuring the contractor obtains a regular income from the completion of tasks. KPIs frequently focus on processes rather than the quality of service (Centre for Public Services, 2005).

Conflict of interest?

- 4.45 The role of the Senior Responsible Office (SRO) and the Section 151 Officer are performed by the same officer in Somerset CC. UNISON's complaint to the Audit Commission stated they believed "that for impartial Section 151 scrutiny, these roles should not be combined. Additionally, with an Acting post (as is the Acting Head of HR), we are concerned that there is the potential for pressure and conflict of interest with their personal and career interests " (UNISON letter 23 July 2007).
- 4.46 Somerset County Council's External Auditor is responsible to the Audit Commission, which is also responsible for assessing the County Council's Comprehensive Performance Assessment (CPA) and inspecting and assessing Best Value performance. UNISON lodged a complaint to the External Auditor on 23 July 2007 and enclosing a copy of the Somerset ISiS or Crisis? Report. The letter also raised a number of concerns:
- Failure to implement all the recommendations following a critical Gateway Review.
 - 4ps marginalised in favour of management consultants for Gateway 3 Review. Significant and key decisions to proceed to contract were taken before the summer break without the Members having sighted the consultants report?
 - Little or no involvement by the all-party scrutiny committee during the ISiS project. There appears to be very little formal involvement by the internal audit or the Council's external auditors (Robson Rhodes).
 - Excessive use of "commercial in confidence" at every stage. Valid public interest questions on how the SSP will operate, profit sharing arrangements and even the SSP Governance arrangements have all been turned down using "commercial in confidence".
 - Minutes often do not fully reflect meetings, especially if conflicting views are expressed. Records from some contentious meetings have not been satisfactorily produced.
- 4.47 However, the Audit Commission's response was to propose a meeting *after* the planned date contract for contract completion. Whilst the Audit Commission does not have a remit to intervene in the daily management of local government, the issues raised were significant matters of management practice and public interest. UNISON sought a response from the Commission every few weeks and it was not until 15

November 2007 that the Commission responded more fully indicating they were “planning a review of project management as part of our Code of Audit responsibilities” (Audit Commission email, 15 November 2007) and proposed a meeting with UNISON to discuss their concerns. This was 6 weeks after the contract had been signed!

- 4.48 The objectives of the review are to:
- Assess the adequacy of any aspects of the procurement process and associated governance arrangements;
 - Assess the financial and service risks associated with the project;
 - Review the risk management and contract management arrangements;
 - Evaluate the arrangements established to ensure that the project demonstrates value for money.
- 4.49 Whilst the review is welcome, it should have been carried out *before* the contract was signed. This adds another dimension to the conflicts of interest apparent in this project.
- 4.50 Somerset CC made a number of attempts to persuade the UNISON branch to remove the letter to the Audit Commission from the branch website. However, the branch has steadfastly refused to do so because the letter was written in the public interest and contained concerns pertaining to matters of public interest.

Another potential conflict of interest

- 4.51 The ISiS Project Director up to September 2007 was a former Resources Director of Suffolk CC. She was appointed to a 2-year consultancy role without any competitive tendering or appointment process, which is against the Council's standing orders. Despite not being an employed Officer of the Council, she was handed delegated powers for commercial negotiation. In addition, she is the wife of the Chief Constable of Avon & Somerset Police (a potential ISiS founder partner). There is no suggestion of either gaining financially from their respective roles but there is a potential conflict of interest

The questionable role of HR in public procurement

- 4.52 There appears to be have been little attempt to broker or mitigate disagreements between UNISON and the ISiS project team or the respective local authorities during the procurement process. Human Resources was an integral part of the ISiS team, and after IBM were appointed preferred bidder, they merely acted as a conduit between the company and the trade unions. From another perspective, it can be argued that HR are in an invidious position having to take a ‘messenger’ role between the local authorities/bidders and the trade unions in the procurement process. The Somerset experience provides further evidence that major procurement projects require a local authority – trade union interface chaired by senior project management (or Elected Member) with HR in a support role.

Undermining the JCC

- 4.53 HR has promoted the Staff Consultative Forum and appeared to want to marginalise the trade unions. At one stage officers invited two reps from the Staff Consultative Forum to attend the local authority and trade union Joint Consultative Committee (JCC) but this was reversed after the trade unions walked out of the meeting. HR has a role in ensuring staff that are not in trade unions are given an opportunity to participate. However, the dynamics change when this becomes a strategy to try to marginalise trade unions.
- 4.54 A proposal to disband the existing Staff Consultation Forum and replace it with a new one representing only the in scope services, emerged in November 2007. The aims included seeking staff views, feedback following team meetings, developing an

understanding of transformation projects and implementation of change and encouraging staff to “proactively look for information about Southwest One”. It would continue to sit alongside the JCC and “evolve with the organisation”. UNISON managed to ensure that the Forum’s terms of reference did not affect the role of the JCC.

‘Notes’ rather than minutes

- 4.55 HR produces ‘notes’ instead of minutes of JCC meetings. UNISON has consistently challenged the basis of these ‘notes’, which usually omitted reference to contentious issues or statements made by officers or trade union representatives. This meant that a lot of time was taken up at each meeting correcting and clarifying the ‘notes’ and adding minutes on matters or comments which had been excluded. It is essential good practice, let alone best practice, to have full minutes of JCC meetings taken by an experienced officer.
- 4.56 Although ISiS management attended JCC meetings, HR staff took the lead. The two UNISON branches consider that key questions were never answered and the focus was always on process.

‘Delayed’ information requests

- 4.57 UNISON had to use Freedom of Information requests to try to obtain documents and information, which had been denied at JCC meetings (see Part 3). Such requests usually started a stream of emails demanding to know why UNISON wanted the information in question. Both Councils delayed legitimate requests for information.

Confidential Staffing Agreement

- 4.58 An extraordinary JCC was held on Tuesday 25 September 2007 to discuss a draft Staffing Agreement. The Head of Human Resources at Somerset CC read out selected sections of the Staffing Agreement to trade unions. The two local authorities refused to provide a hard copy of the Agreement because they claimed it was still confidential. The trade unions were informed they could have a copy *after* the contract had been signed. Alternatively, they could have a hard copy if they signed a confidentiality agreement but this would mean it could not be discussed with members. UNISON challenged the confidentiality claim but were informed that IBM had requested confidentiality. Officers stated that the document could not be altered once the contract had been signed.
- 4.59 A copy of the Agreement was eventually emailed to UNISON at 19.42 on the Friday evening just a few hours before the contract was signed in the early hours of Saturday morning. Even then any wider consultation outside of the JCC representatives by UNISON had to be approved by IBM via Somerset HR. UNISON immediately issued a ‘failure to consult grievance’ and is considering further action. The Councils response is that the Staffing Agreement does not contain any measures in relation to a TUPE transfer and relates only to seconded staff. Therefore there is no failure to consult. UNISON believes “that entering into the staffing agreement was a ‘measure’ which the Council envisaged that it would take, in relation to affected employees, and is therefore a matter over which the union should have been informed and consulted about.”
- 4.60 The employers claim that they did consult us on the content of the Staffing Agreement over the preceding months and that the Staffing Agreement merely drew together what had been discussed. However, they did not consult UNISON on the specific wording of the Agreement which contained significant differences from the unions understanding of the previous discussions. The legal niceties should be irrelevant in this situation because it should have been a matter of best practice and part of

strategy to improve industrial relations at the commencement of a major transformation programme involving over 800 council employees.

- 4.61 The agreement permitted IBM to directly recruit new staff to Southwest One thus reducing the effectiveness of the secondment model. A few days later, Somerset's Acting Head of HR informed UNISON that the Councils *"had reopened negotiations with IBM and have succeeded in securing a concession to the effect that the Councils will be able to ensure that the proportion of seconded staff working on Authority business within the JVC cannot fall below 70% at any time during the life of the contract"* (letter, 28 September 2007).
- 4.62 But the 70% figure could be further reduced. When this point is reached the local authorities will have 48 hours to decide whether to insist on maintaining this limit and each case will depend upon the justification for breaching it at that particular time. UNISON is concerned that because there is no clear resolution about maintaining a public service ethos in Southwest One, and given the organisational difficulty making rapid decisions, that the IBM argument to recruit direct will prevail.
- 4.63 A similar situation arose at subsequent Southwest One JCC meeting over the Reserve Matters contained in the Joint Venture Agreement between the councils and Southwest One. HR 'shared' the contents by reading out selected passages from the confidential document on 12 December 2007. IBM's HR officer, who is a director of the Southwest One Operational Board, and senior HR officers from Somerset CC and Taunton Deane DC attended the meeting. The document was eventually released to UNISON on 16 January 2008 but has to remain confidential to the JCC. In other words it cannot be discussed with other branch officers or members. The Reserve Matters are essentially a list of potential changes to the scope, activities and powers of the JVC similar to the Articles of Association/Memorandum required for every company. The document is an agenda of items, which could be negotiated at a later date. It contains no proposals. Some of the items are trivial. Others, if agreement was reached between the councils and Southwest one, could significantly change the activities, location and powers of the company and are clearly matters of public interest. If potential items for a possible future agenda were 'confidential' now, it would appear that changes to the Joint Venture Agreement would be agreed in secret.
- 4.64 These examples of IBM's approach to industrial relations and the high level of 'cooperation' between IBM and HR officers from the two local authorities does not bode well for the future unless there is a significant change in their approach.

Monitoring the JVC's employment and recruitment practices

- 4.65 Secondment to Southwest One does not abrogate Somerset and Taunton Deane's responsibility to monitor employment practices and workforce issues in the company and compliance with the Code of Practice on Workforce Matters. Local government practice in monitoring workforce matters is acknowledged to be woefully inadequate with scant information available from local authorities, public bodies or UNISON branches and regions.

Options appraisal flawed

- 4.66 Our first report, *The Flawed Options Appraisal and Outline Business Case for a Strategic Service-delivery Partnership*, described how Somerset CC and Taunton Deane DC had set out to have a SSP *before* they had carried out an Options Appraisal and then sought to structure the appraisal process to this end (UNISON, 2005). For example, they showed no interest in visiting local authorities, which had rejected this option and had adopted in-house transformation strategies. No alternative options were fully explored and no public service comparator was developed to inform the evaluation process.

- 4.67 The Council's response to our report was to commission a report from PA Consulting on insourcing in local government in Britain. However, we believe this was a cosmetic exercise and the findings did not influence ISiS.

Changes in the policy-making process

- 4.68 It is essential that local authorities and other public bodies have agreed procedures and best practice protocols for three distinct processes, which are additional to best value service reviews. A three-stage process should be operable whenever a services requires review or additional investment:

1. Preparation of an in-house service improvement plan. If this is not effective or additional investment and/or external expertise is required then move to the second stage.
2. Options appraisal which must include identifying and assessing all the potential options using a comprehensive impact assessment.
3. Procurement process.

- 4.69 Best practice guidance should be included in every local authority's corporate procurement strategy. A new approach to procurement is also required. The commitment to participation and empowerment must be mainstreamed in the commissioning (and thus procurement) process.

- 4.70 Various stages of the procurement process can be used to signal the authority's wish for potential bidders to adopt best practice participation and access to information. These include:

- PIN Prior Information Notice
- OJEU Official Journal of the European Union contract notice
- PITN Preliminary Invitation to Negotiate
- PQQ Pre-Qualification Questionnaire
- ISOP Invitation to Submit an Outline Proposal
- ITN Invitation To Negotiate (or ITT Invitation To Tender)
- Framework Agreement
- Preferred bidder negotiations
- Contract

Three changes are needed

- 4.71 Firstly, local authorities and public bodies should be required to produce a Participation and Engagement Plan for the commissioning and procurement process. This should be similar to the Statement of Consultation required by planning authorities which is subject to local consultation and approved by DCLG). ISiS prepared a Communication Plan at the start of the project but this was limited in scope and content.
- 4.72 Secondly, the PIN, PITN, PQQ, ISOP and ITN could contain statements from the local authority about their expectations of bidders in facilitating participation and their approach to access to information. This does not necessarily have to be legally binding but interested bidders are informed of the authorities expectations.
- 4.73 Thirdly, user/community participation, staff/trade Union participation and access to Information protocols should be an integral part of local authority procurement policies and strategies.

Part 5

Access to information

Introduction

- 5.1 This section examines the advantages and disadvantages of signing confidentiality agreements and discusses the limitations of the Freedom of Information approach. It is divided into four parts:
- The veil of secrecy
 - Accessing information
 - Advantages and disadvantages of signing an information agreement
 - Limits of the Freedom of Information approach

The veil of secrecy

- 5.2 The unprecedented level of commercial confidentiality was discussed in the Somerset ISIS or Crisis? report. ISiS senior management offered to interpret information and wanted UNISON to sign a information agreement once the three shortlisted bidders had been issued with the ITN (a copy was also given to UNISON) and again at the start of negotiations with the preferred bidder. The veil of secrecy expanded once IBM were appointed preferred bidder.
- 5.3 The two UNISON branches decided not to sign a confidentiality or information agreement. Even if UNISON had signed an agreement this would have not prevented IBM from adopting a high level of secrecy nor would it have changed the extent to which Somerset CC and Taunton Deane DC colluded with this policy. It was agreed by both branches that ESSU, as UNISON's adviser, should sign a confidentiality agreement in June 2007. This did not make any difference to the availability of information. By this stage the preferred bidder negotiations were supposed to be reaching agreement for a July 2007 contract closure (postponed to the end of September) and IBM were dictating access to information and the 'participation' arrangements.

Accessing information

- 5.4 Timely access to information is an important part of community participation and industrial relations. However, a balance has to be struck between this necessity and the fact that a degree of confidentiality is necessary from both a public and private sector perspective. For example, maintaining a degree of confidentiality is justified in the public interest when information, if disclosed, could be used to exploit the value of public assets.
- 5.5 Similarly, private companies have information about their bids, proposals, plans and systems/practices which they want to maintain confidential for obvious commercial reasons and to protect market share. They also to protect their negotiating position during preferred bidder stage with local authorities. But the blanket use of 'commercial confidentiality' is unwarranted and undermines democratic governance, accountability and community participation.
- 5.6 There are three main approaches:

1. Access to information via protocols and best practice which may include signing an Information Agreement.
 2. Access by signing an information agreement to maintain commercial confidentiality. This permits a branch to use the information to lobby Elected Members but it cannot inform UNISON members, staff or the public.
 3. Access information via formal Freedom Of Information (FOI) requests because a decision is made not to sign an Information Agreement.
- 5.7 Access through the first and second approaches is likely to be much more comprehensive than that which can be obtained through FOI. It is also more likely to be prior to public policy making decisions whereas a FOI request is frequently a post decision making response.
- 5.8 There are likely to be significant time differences in the availability of information between the first two approaches and the third because the FOI process can be drawn out if the authority decides to delay and/or dispute the release of information.
- 5.9 **It is therefore essential that access to information be discussed as part of the branch strategy at the earliest possible date. Ideally, there should already be Information and Participation Protocols in place as part of the authority's service review, options appraisal and procurement policies. If this is not the case, Protocols should be agreed as a matter of urgency. If local authorities refuse to implement information disclosure and participation protocols then the government should consider legislative action.**

Complete review of access to information

- 5.10 The government's public services transformation strategy is based on the wide adoption of commissioning and contestability, which will require the mainstreaming of options appraisal and procurement in the public sector. The Somerset experience and that in other local authorities demonstrates that current policy and regulatory frameworks for participation and access to information are totally inadequate. As contracts increase in scope and complexity they require long-term commitment of large sums of public money. They also have responsibility for significant changes in service delivery, governance, access to personal data,

Information sought by UNISON

- 5.11 The following is a summary of the information sought by the UNISON branches during the procurement process:
- An overview of the transformation strategy and BPR programme so that we could access the potential annual impact of employment change in different services over the contract period.
 - Continued commitment to secondment model.
 - The employment impact of IBM's 'social and economic transformation' proposals.
 - Content of the social and economic transformation and the scope of job creation targets
 - Carry out an impact economic, social and sustainable development assessment of ISiS on the local/regional economy.
 - Public interest – behalf of UNISON members in SCC and TDC but also all UNISON members working and/or living in Somerset.
 - Employment impact of IBM's new projects for Somerset and inward investment – what type of jobs, skills, where located – and shared services forecasts.

- Sustainability and local sourcing strategy
- Place of work issues for staff – location of JVC offices and facilities.
- Assess the regeneration proposals linked to IBM's proposed new centre in Taunton.
- Workforce involvement – guide members in terms off and how they would be involved in BPR and transformation.
- Governance and future industrial relations
- Better understand the scope of the project and the governance arrangements
- Assess the potential impact on jobs, terms and conditions in Taunton, Somerset and the South West region based on different scenarios of other local authorities and public bodies joining the shared services project.

UNISON did not seek:

5.12 UNISON did not want to obtain the following:

- Detailed financial data but an overall perspective, in particular where and how the savings were to be achieved.
- Detailed technical data with regard to IBM's hardware and software but we did want information about the BPR programme.
- Detailed sectional staffing allocations or job descriptions but we did want an overview.
- Details of IBM's internal arrangements and systems.

Advantages and disadvantages of signing an information agreement

Information or Confidentiality Agreements

5.13 An Information or Confidentiality Agreement is a legal document, which the person signing agrees to abide by the confidentiality requirements imposed on the information. If confidentiality is broken, the client can take legal action to compensate for any losses incurred.

5.14 The quality and scope of the information to be made available should be defined and the Agreement linked to Information and Participation Protocols. There are advantages and disadvantage of signing an agreement which are summarised below:

Advantages

- Affords access to bids and projects which the branch would otherwise be excluded from and enables a much more comprehensive response to proposals.
- Can compile a report to be circulated to Elected Members (and senior management) using confidential information obtained by signing a confidential. However, this report cannot be published outside of the authority, sent to the media nor circulated to members.
- Usually sufficient information is disclosed to carry out an impact assessment of the proposals on the community, local/regional economy and sustainable development.

Disadvantages

- Only the named individuals signing an agreement can have access to confidential information.

- A trade union branch cannot report the contents of information received as a result of signing an agreement because this would be putting the information in the public realm. The Branch would be able to address the issues but not the specifics.
 - Detailed financial information is not normally made available.
 - Signing an agreement does not give any rights of access to confidential information. The client can still interpret 'confidentiality' very narrowly and only supply very limited information and select the means by which access will be afforded, for example, verbally or provision of documents.
 - Breaking a confidentiality agreement is likely to have major political repercussions, for example, the branch blamed for an individual's indiscretion or attempt to sabotage. The issue of disclosure could dominate the agenda rather than the project.
- 5.15 Confidentiality Agreements only have value if trade unions and community organisations can use the information to influence the decision making process, otherwise they are little more than gagging orders. They could be used to prevent disclosure and restrict debate.
- 5.16 In May 2007, the branches decided that ESSU should obtain access to the bids because little detailed information was being made available and a cloak of 'commercial confidentiality' surrounded the project. The then Leader of the County Council and the Portfolio holder agreed to this arrangement. ESSU had signed similar agreements in other local authorities and has maintained confidentiality.
- 5.17 UNISON and ESSU sought access to the bid proposals in order to make an assessment of the potential impact of the project for staff, service users and the public interest. The plan was to prepare a report, which would only be circulated to Elected members and senior managers. A public version would have been submitted to the respective local authorities for approval.

Model confidentiality Agreement

- 5.18 The European Commission has produced a model Confidentiality Agreement which has sections on identifying the parties, statement of reasons and responsibilities, definitions, subject, disclosure of information, exemptions, the use of information, arrangements for the exchange and storage of confidential information, permissible disclosure of confidential information, length of the agreement and other clauses (www.ipr-helpdesk.org/documents/docsPublication))

Limits of the Freedom of Information approach

- 5.19 The Somerset project illustrated the limitations of using a Freedom of Information strategy to obtain information (see above).
- 5.20 The procurement process is governed by EC Public Procurement Directives, implemented in the Public Works Contracts Regulations 1991, the Public Services Contracts Regulations 1993 and the Public Supply Contracts Regulations 1995 and the Consolidated Public Procurement Directive (2004/18/EC). This legislation recognises that information supplied by bidders must be respected and both the public and private interest means may mean that certain information must be treated as commercially confidential.
- 5.21 This is not a blanket ban on releasing information. Public bodies and contractors have a degree of flexibility over what information is publicly available. For example, some local authorities and public bodies release the names of shortlisted bidders whilst others do not.

- 5.22 Section 41 of the Freedom of Information Act makes refers to a duty to keep information confidential (a 'duty of confidence' and if an authority or private contractor made unauthorised disclosure of the information then the courts may award damages (or another remedy) to the person whose interests were protected by the duty. However, *"the courts have recognised that a person will not succeed in an action for breach of confidence if the public interest in disclosure outweighs the public interest in keeping the confidence."*

The Public Interest Test

- 5.23 Section 43 of the Freedom of Information Act provides for an exemption for the release of information to protect the commercial interests of both the public and private sectors. The Public Interest Test sets out a public interest in the disclosure of commercial information in order to ensure:

- *"That there is transparency in the accountability of public funds;*
- *That there is a proper scrutiny of government actions in carrying out licensing functions in accordance with published policy;*
- *That public money is being used effectively, and that departments and public bodies are getting value for money when purchasing goods and services;*
- *That public sector commercial activities, including the procurement process, are conducted in an open and honest way;*
- *That business can respond better to government opportunities.*

- 5.24 However, the following factors could justify a public interest in withholding information:

- *where disclosure would make it less likely that companies, or individuals would provide the department with commercially sensitive information in the future and consequently undermine the ability of the department/agency to fulfill its role;*
- *where disclosure would be likely to prejudice the commercial interests of the department by affecting adversely its bargaining position during contractual negotiations which would result in the less effective use of public money;*
- *where disclosure would, as a consequence, make it more difficult for individuals to be able to conduct commercial transactions or have other dealings with public bodies, which are not a typical commercial transaction - for example/ where an organisation obtains a grant or financial assistance from a public authority - without fear of suffering commercially as a result. It would not, for example, be in the public interest to disclose information about a particular commercial body if that information was not common knowledge and would be likely to be used by competitors in a particular market to gain a competitive advantage."* ()

- 5.25 It is not within the scope of this report to examine in detail which information should or should not be released at different stages of the procurement process and after the contract is awarded (see Procurement Information, Ministry of Justice, 2007 and various Freedom of Information guidance from www.ico.gov.uk).

- 5.26 It is essential that the following should be adopted best practice:

- Each local authority/public body has protocols on user/community and staff/trade union participation and access to information Protocols in its procurement strategy.
- Each local authority/public body requires potential bidders to describe their approach to participation and access to information as part of expressing an interest in the contract.
- Each local authority/public body includes more detailed guidance in the Invitation to Tender of Invitation To Negotiate and seeks an agreement with the preferred

bidder on a joint approach to participation and access to information. The agreement should be a public document.

- 5.27 The objective should be to establish best practice and minimise the need to use the Freedom of Information approach for the reasons stated above.

Policy of Proactive Disclosure

- 5.28 Instead of believing that most information in the procurement process should be withheld, local authorities and public bodies should start with the premise that information should be in the public domain unless there are grounds for maintaining commercial confidentiality. In other words, the emphasis must be reversed to one where a case must be made for not releasing information. This is Proactive Disclosure. It would replace the Somerset approach where the case had to be made to release any information because it was all classified, unreasonably, as confidential.

Part 6

The new agenda

Introduction

- 6.1 The signing of the contract with IBM and Mouchel Parkman signalled the start of a new agenda for UNISON in the south west. Southwest One has begun the 'transformation' process. This introduces a new agenda for Somerset CC and Taunton Deane staff and UNISON branches. A UNISON regional strategy is needed to support branches in authorities which consider service delivery contracts with Southwest One and to address the shared services agenda in general.
- 6.2 This chapter is divided into five sections:
- The new shared services agenda
 - Why IBM should engage with UNISON
 - Workforce involvement in service transformation
 - Implementing social and economic transformation
 - Guidance for local authorities and public bodies negotiating contracts with Southwest One.

The new shared services agenda

- 6.3 Irrespective of the shared services mantra, Southwest One must first demonstrate that the project is effective and viable in Somerset CC and Taunton Deane DC. In other words, Southwest One must be seen to be delivering for council taxpayers in Somerset before or simultaneously achieving transformational change and savings for local authorities and public bodies in Devon and Cornwall. IBM's interests are national and global, and coupled with the financial pressures of this contract, will want to deliver services to many more authorities as quickly as possible.
- 6.4 The Regional Centre of Excellence will also want to demonstrate its contribution to the shared service agenda.

Shared services scenarios

- 6.5 The development of scenarios is a useful way of examining the potential impact of Southwest One to draw out the potential effects assuming different levels of 'success'. We have identified three potential scenarios:
1. **Rapid growth;** Twenty local authorities and public bodies who signed the framework agreement, plus a handful of additional public bodies, successfully negotiate to have services delivered by Southwest One in the next five years.
 2. **Medium growth:** Ten local authorities and public bodies who signed the framework agreement negotiate to have services delivered by Southwest One in the next five years. No contracts are signed with public bodies which did not sign the framework agreement or from other regions.
 3. **Low growth:** The initial PR and promotion of Southwest One is curtailed because the transformation process in Somerset CC, Taunton Deane DC and ASC proves to be more complex than anticipated. IBM/Mouchel have to focus on delivery in the founding members of the JVC and only a handful of additional local authorities and public bodies negotiate contracts. Compatibility of systems, limited synergy and

lower cost savings are major factors in limiting growth (or seeking alternative shared services options from the perspective of other local authorities and public bodies).

- 6.6 The scenarios will, of course, be affected by the economy, government policies and future public spending settlements. The scenarios raise important issues such as governance and accountability, financial risks and affordability, the level of savings, employment, industrial relations frameworks and trade union action.

New shared services projects and the framework agreement

- 6.7 **Local authorities and public bodies, including those who signed up to the original OJEU contract notice, are not compelled to use Southwest One as their shared services partner.** The framework agreement has a 4 year-time limit (the period within which the last call-off must be awarded) unless there are exceptional circumstances.

“The benefit of this kind of agreement is that, because authorities are not tied to the agreements, they are free to use the frameworks when they provide value for money, but to go elsewhere if they do not” (Office of Government Commerce, 2006).

- 6.8 There is, therefore, wide scope for new shared services projects for corporate, transactional and frontline services in the south west.
- 6.9 Smaller clusters of local authorities and public bodies could be formed to deliver in-house shared services. A study of shared services in Britain found that there is considerable scope for different forms of cooperation (ESSU, 2007). It is important not to get drawn into a ‘one model suits all’ or a ‘big is beautiful’ mentality. Large projects often do not have a monopoly on quality, accountability or value for money.

Developing the Southwest One industrial relations framework

- 6.10 A good working relationship between Southwest One and UNISON has many important advantages for IBM, the local authorities and staff. This section draws on best practice human resource shared services guidance from a range of local government organisations (Employers Organisation/4ps, 2007; 4ps, 2007; National Process Improvement Project (NPIP), 2007; Improvement and Development Agency (IDeA), 2007; ESSU, 2007; IBM, 2007). Also see the section below on the importance of workforce involvement.
- 6.11 An effective industrial relations framework will:
- Facilitate the planning and implementation of the transformation process and address the needs of stakeholders.
 - Facilitate the implementation of Business Process re-engineering and transformational change and address employment issues such as new working practices, redeployment and retraining.
 - Ensure workforce participation is effective and meaningful.
 - Draw on staff local knowledge and ideas for service improvements.
 - Contribute to drawing up effective training and workforce development strategies.
 - Jointly address industrial relations issues arising from other local authorities and public bodies seeking service delivery by Southwest One.
 - Implement Somerset CC and Taunton Deane DC corporate policies.
 - Better understand the needs of service users in application of new systems
 - Discuss and reach agreement on service and job redesign and changes to working methods

- Support cultural and organisational change
- Negotiate relocation, redeployment, retraining and redundancies/early retirements
- Discuss transitional working arrangements and timing of change
- Appraise new working systems and practices
- Identify (re)training needs and skills development
- Changes to service delivery availability and working hours
- Examine mobile/remote working arrangements
- Multi-centre working – management, communications and team-building
- Contribute to the Southwest One Workforce Development Plan
- Negotiate harmonisation of terms and conditions
- Improve communications with staff and UNISON
- Improve staff understanding of the change process
- Identify value-added activities
- Assess performance and problem solving

Workforce involvement in service transformation

- 6.12 Staff and trade union representatives must be involved in the planning and delivery of services. Central and local government best practice guidance explains the advantages and approach to their participation (National Process Improvement Project, 2007; Department for Communities and Local Government, 2007; Cabinet Office, Department for Communities and Local Government. Local Government Association and Improvement and Development Agency 2007; Improvement and Development Agency, Local Government Information Unit et al, 2001; ESSU, 2007).

“Front office employees have a pivotal role delivering citizen-centric customer services.....Since front office staff are responsible for interacting with customers, the workforce literally ‘owns the means of production’” (DCLG, Cabinet Office, LGA and IDeA, 2007).

- 6.13 The benefits of staff and trade union involvement are substantial. A new study of the role of frontline staff in the Beacon Scheme found that Beacon Councils with a high level of staff engagement with the scheme reported significantly higher levels of important organisational outcome measures compared to two comparator groups of councils with lower levels of staff engagement (ibid). They reported significantly higher levels of:
- Proactivity
 - Personal innovation
 - Organisational performance
 - Satisfaction
 - Innovation and improvement
 - Participation
- 6.14 In addition they reported significantly higher levels of the following when compared to one or other of the comparator groups - public service ethos, management’s ability to learn, vision and the importance of performance measures.

- 6.15 The level and effectiveness of participation should be assessed on a regular basis and included on Joint Consultative Committee agendas.

Implementing social and economic transformation

- 6.16 There is little evidence that the ISiS project was submitted or considered by the Local Strategic Partnership (LSP) and the Somerset Community Plan. A search of the Minutes of LSP meetings in 2006 and early 2007 (in late December 2007 they were available on the website only to January 2007) and other LSP documents found no reference to ISiS, despite the presence of the Leader and chief executive of Somerset County Council at LSP meetings. Given the potential long-term impact of ISiS it is remarkable that the two planning processes had little no connection.

Regeneration

- 6.17 Few details have emerged of the property and regeneration proposals arising from IBM's plans to locate a contact centre and a business centre in Taunton. The scale of this centre also depends on the degree to which Southwest One wins contracts from other local authorities and public bodies and/or IBM transferring work to Somerset from other parts of Britain to meet its commitments or obligations. There appears to be an expectation, common in SSPs, that a regional business centre will be established.
- 6.18 There are also questions about the spatial requirements of IBM's social and economic transformation. Some are virtual so may have little regeneration impact in Somerset. Another unknown is the potential role of the Portishead Centre should Avon and Somerset Police join Southwest One.

Community impact assessment

- 6.19 Part 3 discussed the public interest dimension of IBM's 'social and economic transformation' proposals. Only a bare outline of the proposals were provided and it was impossible to determine the potential benefits or to assess the division of role, responsibility and costs between IBM and the local authorities. IBM's website states: "The company (Southwest One) is also considering a number of initiatives aimed at enabling social and economic development within the area." This raises many questions about the legal and financial commitment to these initiatives, their scope, delivery and ownership.
- 6.20 No evidence has been made available that a comprehensive and rigorous impact assessment was undertaken of IBM's (and the other bidders) proposals. Best practice should ensure that each project from the social and economic transformation programme is fully impact assessed before it is approved. Improvements in the industrial relations framework and a policy of proactive disclosure should help to ensure a more rigorous approach to assessing the impact of future social and economic transformation proposals.

Guidance for local authorities and public bodies negotiating contracts with Southwest One

- 6.21 The framework agreement means that local authorities and public bodies do not have to go through a procurement process to have services supplied by Southwest One. However, detailed planning, appraisal and negotiation will be needed by each authority considering Southwest One to supply services.
- 6.22 This guidance provides an agenda of items which must be considered and assessed. Each local authority and public body must also carry out a detailed impact assessment of the costs and benefits of a project. The 4ps guidance is divided into just four categories – structure, financial, employment and legal (4ps. 2006). The ESSU

appraisal framework is more comprehensive and takes account of both internal and external impacts:

1. Design and scope
2. Accountability, governance and participation
3. Financial assessment
4. Quality of service
5. Local/regional economy and community well being
6. Quality of employment
7. Sustainable development
8. Social justice
9. Management and capability
10. Organisational arrangements
11. Added value
12. Corporate impact on the authority

(www.european-services-strategy.org.uk)

6.23 Value for money assessment should include:

- Transaction costs
- Total financial costs
- Affordability
- Long-term sustainability
- Risks
- The full range of costs and benefits
- Method statement for service delivery
- Governance and accountability arrangements in Southwest One
- Industrial relations framework
- Contract management and monitoring of performance

Impact assessment criteria

- Effect on shared services principles (Shared Services Principles, ESSU, 2007)
- Employment change – relocation, job losses
- Changes in supply chain of goods and services and local employment impact
- Effect on local economy
- Effect on corporate policies such as sustainable development
- Corporate impact – effect on units costs of retained services
- Travel to work changes
- Impact on workforce policies (family friendly etc)
- Equality impact assessment

Part 7

Recommendations

Introduction

- 7.1 The final chapter sets out a series of recommendations for a new approach to industrial relations in Southwest One, proposes changes to the role of scrutiny and impact assessment in local authorities and public bodies in the South West, proposes national policy changes and sets out a framework for a UNISON South West regional strategy.

Southwest One

7.2 **Improved industrial relations in the JVC**

- Provision of full minutes of JCCs, taken by an experienced officer to replace the practice of providing 'notes' of meetings.
- Submission of UNISON proposals and comments for consideration and response from the Board and access to Board minutes.
- Regular provision of Southwest One performance information.
- Maintenance of the role of the Staff Forum as set out in its terms of reference.
- Consultation on any future changes to governance arrangements.

7.3 **Participation in business process reengineering and management of change**

- Staff and trade union involvement in the planning, design and implementation of the transformation programme and changes to working practices.
- Staff and trade union involvement in the management of change.
- Details of IBM's proposals for 'social transformation' should be provided to the JCC, including the potential employment impact, timetable and community impacts.

7.4 **Consultation regarding the supply of services to additional authorities**

- Discuss changes to the industrial relations framework when services other local authorities and public bodies are proposing to have services delivered by Southwest One.

7.5 **Participation in the implementation of social and economic transformation**

- Consultation on the preparation of protocols on how Southwest One will carry out community, trade union and staff participation in the implementation of the social and economic transformation programme.

7.6 **Commitment to public service ethos**

- A commitment to mainstream public service principles and values in Southwest One and ensure that a public service ethos is underpins service delivery.

UNISON commitment

- 7.7 The UNISON branches in Somerset CC and Taunton Deane DC, the core local authority members of Southwest One, will undertake to:

- Hold effective discussions with other branches and UNISON regional officers regarding the most effective industrial relations framework.

- Examine proposals with a holistic perspective including service delivery and employment matters.
- Examine the longer-term public sector interests of proposals.
- Cooperate with and give evidence to Scrutiny reviews.

Local authorities and public bodies in the South West

7.8 Changes in scrutiny and overview

- Local authorities and public bodies should review the role and responsibility of Scrutiny to ensure it has the responsibility and resources to fulfil four key roles - the policy and project process, safeguarding the public interest, governance and accountability and impact assessment.

Policy and project process

- Ensure service improvement, options appraisal and procurement processes are undertaken rigorously and comprehensively according to best practice.
- Ensure that evaluation process at different stages takes account of direct and indirect costs and benefits.
- Ensure participation and consultation with relevant user, staff and organisations;
- Ensure access to information on the scope and content of proposals to facilitate participation;
- Provide a robust challenge during preferred bidder negotiations;
- Ensure recommendations of Gateway Reviews are fully considered and implemented where appropriate;

Safeguarding the public interest

- Assess financial sustainability and affordability;
- Assess the division of roles and responsibilities between public and private sector;
- Appraise the use and management of public assets;
- Enhance public capability and intellectual knowledge;
- Ensure potential conflicts of interest are removed;

Governance and accountability

- Ensure effective governance structures and accountability;
- Review of contract performance and workforce matters;

Impact assessment

- Consider the long-term effects and consequences of policies and proposals;
- Ensure rigorous assessment of economic, social, health and sustainable development impacts.
- A joint Scrutiny programme and timetable should be established to review the performance, governance arrangements, transformational change, the social and economic transformation programme, and the operation of the framework agreement and other aspects of Southwest One.
- Scrutiny should invite UNISON to participate and give evidence to Scrutiny reviews of Southwest One.

- Facilitate submission of evidence and attendance of witnesses from all relevant organisations including trade unions and community organisations.
- Devise a methodology for Scrutiny in the event that Southwest One provides services to other public bodies in the region.

7.9 Development of shared services projects

- Local authorities and public bodies should prioritise the development of in-house collaborative shared services projects. Southwest One should be regarded as one option.
- Every shared services project proposal should be subjected to rigorous assessment of the costs and benefits using impact assessment methodology to ensure that the full social, economic, employment, equalities, health and sustainable development impacts are evaluated.

7.10 Ensure redirection of savings to frontline services

- Mechanisms must be in place in Somerset CC, Taunton Deane DC and other authorities to ensure savings are genuinely transferred to frontline services and not transferred to another budget and swallowed up by corporate overheads and/or overspends.

7.11 New shared services projects

- Local authorities and public bodies should develop collaborative in-house shared services projects for corporate and frontline services – they are not compelled to use Southwest One. They should adopt the eighteen principles for shared services projects: www.european-services-strategy.org.uk/publications

7.12 Workforce monitoring

- Up to 30% of Southwest One staff may be employed by the JVC instead of being seconded or directly employed by Somerset and Taunton Deane Councils, so it is essential that local authorities monitor employment conditions and practices to prevent the emergence of a two-tier workforce.

7.13 New options appraisal and procurement protocols

Information protocol

- Identify the key information to be made available to trade unions at different stages of service review, options appraisal and procurement processes outside of a commercial confidentiality agreement.
- Clarification of classification of public and confidential information and the application of Freedom of Information regulations.
- Authority to seek agreement with bidders on access to information.
- Basis of the application of commercial confidentiality and information agreements.
- Format and access to information.
- Assistance in the interpretation of information and proposals.
- Responsibilities of trade unions and community organisations to maintain the security of information made available to them.
- Responsibilities and responses if there is a breach of confidentiality.

7.14 Participatory protocols (staff/trade union and user/community)

Protocols should be based on principles agreed between elected members, officers, staff/trade union representatives and user/community representatives. For example,

Newcastle City Council's Corporate Procurement Strategy has protocols based on principles such as partnership; acting in the public interest and safeguarding public service ethos; market analysis, potential providers and procurement documentation will be shared; and non-disclosure of confidential information.

- 7.15 Protocols should include a commitment to staff and trade union participation at the beginning of the service review, options appraisal and/or procurement processes. There should be transparent and timely discussions with all staff potentially affected by procurement proposals. The protocol should also cover:

- Trade union access to information
- Adequate facility time to engage and respond to documents and stages in the options appraisal and procurement processes.
- Procurement documentation
- Employment policies, workforce issues and working practices
- Bidder/partner discussions
- Evaluation criteria and process

7.16 ***Community engagement in options appraisal and procurement***

This protocol should ensure that user/community organisations are in:

- The definition of service need;
- The performance standards, targets and other key aspects of the service;
- The equalities and environmental sustainability requirements to be included in the contract;
- The evaluation criteria and methodology.
- The monitoring arrangements;

- 7.17 Specific additional arrangements should be included for involvement in regeneration projects which should include involvement in working groups, panels and committees established to carry out options appraisal and procurement; evaluation panels; site visits to other projects and contracts; interviews of contractors prior to shortlisting and on bid submissions; presentations by bidders; workshops and away days to evaluate proposals and bids, engagement of consultants and advisers, observer status on decision making bodies; and consultative evaluation of appropriate elements of scoping documents, options, specifications, procurement strategy, shortlisting, bid documentation, bids, preferred bidder selection and contract award.

- 7.18 Community organisations should also have access to training in options appraisal and procurement processes, the funding of technical advisers, the right to have advisers at all meetings and to submit reports and views to evaluation panels.

National policy changes

- 7.19 In addition to improvements in the Southwest One industrial relations framework and the adoption of best practice appraisal and procurement by south west local authorities more fundamental changes are needed which require changes in government policy or legislation. Part 3 showed how implementation of the Local Government and Public Involvement Act will address some of the concerns raised in this report but could have a negative effect on others. The Somerset appraisal and procurement process demonstrated the need for change to prevent the high level of secrecy and lack of community participation being repeated.

7.20 A major review of participation and information rights in commissioning and procurement

This should include:

- New rights and best practice guidance for staff/trade union and user/community organisation participation in service improvement, options appraisal and procurement processes.
- New rights of access to information, options, project proposals, bids and contract performance information.
- The quality and scope of the information should enable trade unions and/or community organisations to understand the proposals and submit responses, assess their social, economic and sustainable development impact, finance and affordability, governance arrangements and other matters of public interest.

7.21 Changes to participation and access to information in the procurement process

- Local authorities and public bodies should be required to produce a Participation and Engagement Plan for the commissioning and procurement process.
- Local authorities and public bodies should have Protocols on User/Community, Staff/Trade Union Participation and Access to Information as part of their procurement policies and strategies. They should clearly indicate the scope and constraints.
- The PIN, PITN, PQQ, ISOP and ITN should contain statements from the local authority about their expectations of bidders in facilitating participation and their approach to access to information.

7.22 Proposed changes in service review and options appraisal

- A protocol should cover staff and trade union involvement in the services review and options appraisal process. Ideally one protocol could also include procurement through the three key stages. However, if this is not feasible then separate Protocols should be agreed.

7.23 Changes in application of commercial confidentiality and freedom of information in procurement and contracting

- The ITN should remind bidders that they are recommended and expected to make information about the scope and content of their proposals available to trade union and community representatives. The ITN should refer to the various protocols, which will apply to the procurement process. The local authority should seek a commitment from bidders that they will take a best practice approach to implementation of the protocols.

7.24 Rights in secondments and JVCs

- Rights of access to information where a secondment is planned including industrial relations framework, participation and workforce development policies, and future governance arrangements including management of the JVC.

7.25 Review of HR and industrial relations frameworks

- Local authorities and public bodies should re-examine the role and responsibilities of Human Resources in the options appraisal and procurement processes. This should include improving the monitoring of employment and workforce matters in order to fulfil their responsibilities under the Code of Practice.

7.26 Changes in shared services projects

- Commitment by authorities to include employment policies and industrial relations frameworks as core issues.
- Facility time for branches of potential shared services authorities to meet at an early stage to discuss project proposals and respond accordingly.
- Release of information to branches on project proposals at an early stage.
- Adopt the shared services principles (www.european-services-strategy.org.uk)

UNISON South West Region strategy

7.27 The following recommendations should be considered as part of the regions response to the new agenda created by Southwest One.

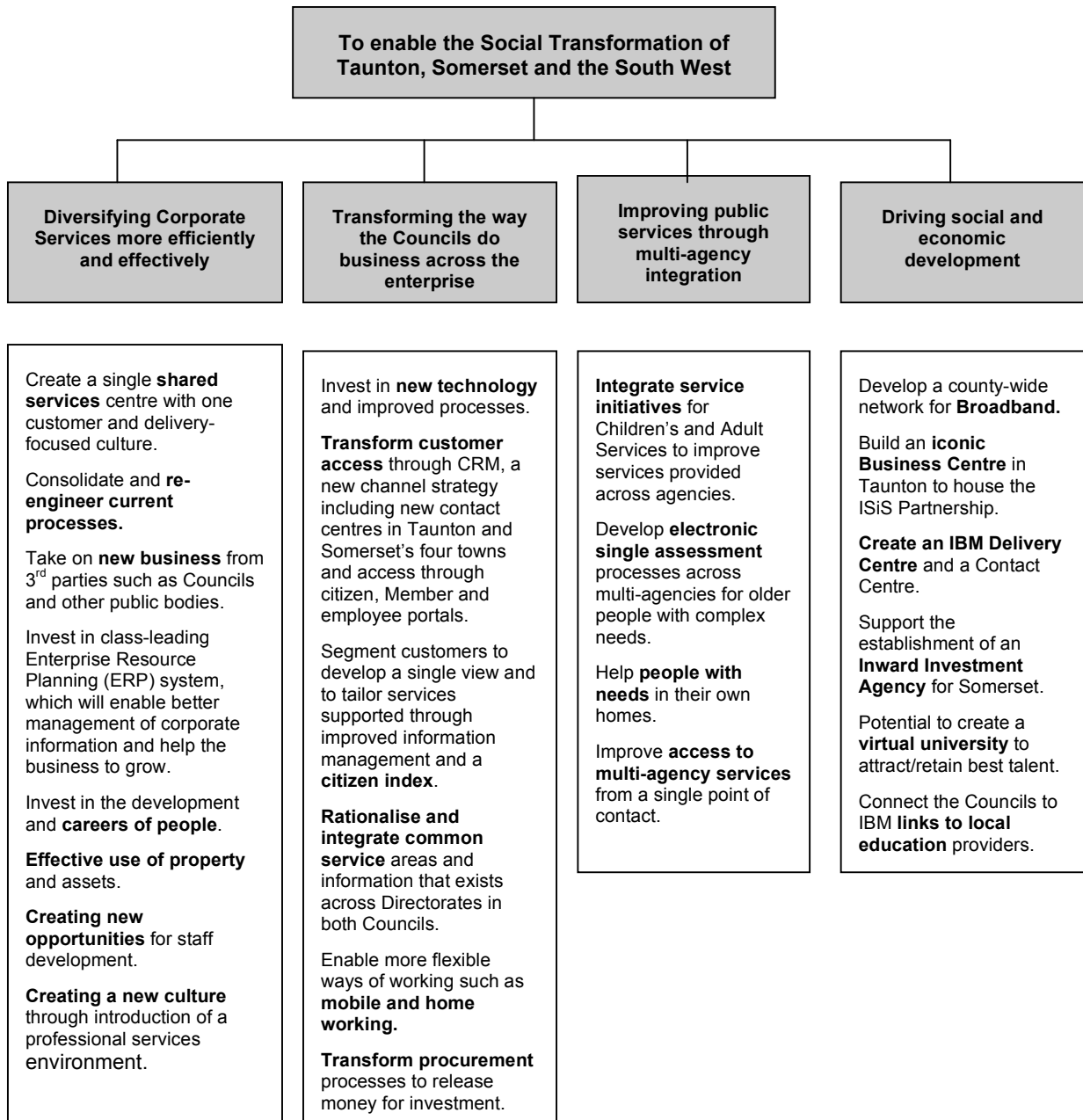
1. Organise recruitment campaign in corporate and transactional services and shop steward representation.
2. Ensure shop stewards in corporate and transactional services receive training in organizing and negotiating skills and understanding of the shared services agenda.
3. Identify when existing outsourced corporate and transactional services in the South West are due to be re-tendered.
4. Assess the current performance of corporate services in South West local authorities and those with more serious financial pressures to determine which authorities are more likely to seek service provision by Southwest One.
5. Promote the development of in-house collaborative shared services projects.
6. Branches sent key information and reports on shared services including the national analysis of shared services in Britain and the briefing on shared services principles and strategies (both ESSU).
7. Organise subregional training sessions on shared services for branches and ROs.
8. The South West region should appoint a regional officer to draw together information on Southwest One and the expansion of shared services. Intelligence and information will be vitally important and should also be shared through the Regional Committee and be a permanent item on the agenda.
9. Other UNISON regions should inform the South West Region when they hear about Southwest One/IBM presentations or interest in contracts elsewhere.
10. Establish a small task force from the Regional Committee to work alongside Regional Officers.
11. Develop a UNISON Shared Services Strategy for the region as a matter of urgency.
12. Ensure that smaller branches in the region have adequate resources and capacity to address shared services proposals.
13. Impact assessment of shared services projects: Each proposal for Southwest One to provide services to other local authorities and public bodies should be subjected to rigorous assessment of the costs and benefits using impact assessment methodology to ensure that the full social, economic, employment, equalities, health and sustainable development impacts are evaluated.
14. Demand a Scrutiny programme and timetable be established to review the performance, governance arrangements, transformational change, the social and economic transformation programme, and the operation of the framework agreement and other aspects of Southwest One. Scrutiny should invite UNISON to participate and give evidence to future Scrutiny reviews of Southwest One.

15. Campaign to get all local authorities and public bodies in the south west, initially targeting those which signed the framework agreement, to include participation and information access protocols in their options appraisal and procurement policies.
 16. The unitary government proposals for Cornwall and Wiltshire provide an opportunity to ensure best practice options appraisal, procurement and shared services strategies are built into the new organisational and management structures.
 17. Branches should be encouraged to consider applications to the General Political Fund when setting up campaigns.
- 7.28 UNISON nationally should draw up a national Shared Services Strategy and revise the SSP toolkit as a combined SSP/shared services guide for branches.

Appendix 1

Summary of IBM's bid

Proposals in the original bid released by IBM in April 2007 at the start of preferred bidder negotiations but may have since changed.



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