

CABINET: THURSDAY, 16 JULY 2015 at 3.30 PM

A Cabinet Meeting will be held in Function Room L at City Hall on Thursday 16 July 2015 at 3.30 pm

A G E N D A

- 1 Minutes of the Cabinet Meeting held on 2 July 2015 *(Pages 1 - 4)*

Community Development, Co-Operatives & Social Enterprise

- 2 Library Services in Roath/Adamsdown *(Pages 5 - 56)*

Corporate Services & Performance

- 3 Budget Strategy 2016/17 and the Medium Term *(Pages 57 - 110)*
- 4 An Update on the Organisational Development Programme *(Pages 111 - 154)*
- 5 Corporate Asset Management Plan *(Pages 155 - 194)*
- 6 Former Landscape Depot & Greenhill School Sites, Rhiwbina, Cardiff *(Pages 195 - 202)*
- 7 Review of Partnership for Change Agreement . *(Pages 203 - 210)*

Environment

- 8 Infrastructure Services - Alternative Delivery Models *(Pages 211 - 478)*
- 9 New Household Waste Recycling Centre and ReUse Facility *(Pages 479 - 560)*

Health, Housing & Wellbeing

- 10 Housing Partnership Programme - Update on Procurement *(Pages 561 - 568)*

Transport, Planning & Sustainability

- 11 Update on the Council's Energy Programme *(Pages 569 - 580)*

PAUL ORDERS
Chief Executive

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



MINUTES

CABINET MEETING: 2 JULY 2015

Cabinet Members Present:	Councillor Phil Bale (Chair) Councillor Sue Lent Councillor Peter Bradbury Councillor Dan De'Ath Councillor Bob Derbyshire Councillor Graham Hinchey (Min 18-23) Councillor Susan Elsmore Councillor Sarah Merry Councillor Ramesh Patel
Observers:	Councillor Dianne Rees Councillor Elizabeth Clarke
Officers:	Paul Orders, Chief Executive Christine Salter, Section 151 Officer David Marr, for Monitoring Officer Joanne Watkins, Cabinet Office

18 Minutes of the cabinet meeting held on 11 June 2015 were approved.

19 OUTTURN 2014/15

The Cabinet received details of the Council's financial position in respect of the year ending 31 March 2015. The report compared the outturn for the financial year ending 31 March 2015 with the budget for the year for both revenue and capital expenditure and provided a summary Treasury Management Statement in respect of investments and borrowing. It was reported that the final revenue outturn position showed a surplus of £1.741 million after contributions to and from reserves as compared to the balanced position reported at month nine.

RESOLVED: that

- (1) the report and the actions taken in respect of the Council's accounts for 2014/15 be noted
- (2) it be noted that this report will form an Appendix to the Financial Statements report to be considered at the Council meeting in September 2015

20 2014-15 Q4 PERFORMANCE

The Cabinet received a summary of the Council's performance for Quarter 4 (January to March) of 2014/15 financial year. The report contained summaries of the 2014-15 Quarter 4 performance for each Directorate, covering delivery of Corporate Plan objectives, performance indicators for core services, financial performance, and performance of key management processes. A summary of key corporate issues such as sickness absence, and Personal Performance and Development Review compliance was also contained within the report.

RESOLVED: that the current position regarding performance and the delivery of key commitments and priorities as at the end of Quarter 4 and the action being taken to address areas of concern be noted

21 CORPORATE RISK REGISTER (YEAR END REVIEW 2014/15)

The Cabinet received the Corporate Risk register which provided a clear statement identifying the strategic risks the Authority faced together with details of controls in place to manage the risks.

RESOLVED: that the content of the Corporate Risk Register be noted

22 CORPORATE SAFEGUARDING GOVERNANCE

A report outlining proposed arrangements in relation to Corporate Safeguarding Governance was received together with a response to the Wales Audit Office proposals for Improvement.

RESOLVED: that

1. the proposals to strengthen Corporate Safeguarding governance, including the establishment of a Corporate Safeguarding Board, including the terms of reference (*appendix 3*) as outlined in the report be agreed
2. the Action Plan (*appendix 4*) to support the implementation of the new governance arrangements and to respond to the WAO Proposals for Improvement be agreed
3. the response to the WAO proposals for improvement as outlined in Appendix 5 of the report be agreed

23 EARLY HELP STRATEGY

The Cabinet considered a report containing details of the Early Help Strategy together with the proposed new approach which aimed to strengthen joint working and information sharing to ensure that children and their families are put at the centre of planning and receive the support they need at the right time and in the right way. It was recommended that the Cabinet's agree that the Council sign up to the Early Help

Strategy as a key statutory partner, with a lead role for its implementation across the Cardiff Partnership.

RESOLVED: that

1. the contents of the report and the Early Help Strategy be noted
2. the Early Help Strategy be approved and that the Directorates within the Council that deliver services to children, young people and families be required to operate within the approach set out in the Strategy document located at **Appendix 1** of the report.

24 14-16 ALTERNATIVE PROVISION TENDER

Cabinet received a report outlining progress with the tender for a 14-16 Pre-Vocational and Vocational Provision. It was reported that the tenders submitted did not meet the criteria and that a number of factors had changed which meant that the estimated value of the newly proposed procurement was under £5 million and would fall under the Director's delegated authority.

RESOLVED: that

1. Officers be authorised to abandon the 14-16 Pre Vocational & Vocational External Provision Tender originally released in May 2014 and
2. It be noted that authorisation to commence a new procurement will be the subject of a separate decision as outlined in paragraph 9 within the body of the report.

25 RIVERSIDE PLAYING FIELDS AND COMMUNITY CRICKET

The Cabinet considered a report outlining a proposal to advertise the opportunity for a lease to be offered on public open space at Riverside Park, Llanrumney for the provision of community Cricket. It was reported that demand for community Cricket had been identified, particularly within the Southern part of the City and it was envisaged that the area for lease for Cricket could potentially include an area of land to accommodate two full size Cricket tables.

RESOLVED: that

1. the advertisement of the proposed opportunity for community Cricket of public open space land at Riverside Park (Appendix 1 to the report) be approved
2. Subject to a further report being brought forward outlining the responses from the advertisement, the disposal by way of Community Asset Transfer in principle be agreed, subject to an advertisement / appropriate public consultation, Equalities Impact Assessment, a competitive selection process, and with a report being brought back to Cabinet on the preferred operator.

26 APPLICATION FOR A HACKNEY CARRIAGE FARE INCREASE

The Cabinet considered applications made by Dragon Taxis and the Cardiff Hackney Carriage Association to vary the current City of Cardiff Council's rate of hackney carriage fares. The report outlined details of both applications together with an assessment of each application.

RESOLVED: that

1. the issues and impacts to taxi fares set out in the report be noted
2. the application put forward by the Cardiff Hackney Carriage Association be rejected
3. the application put forward by Dragon Taxis with an implementation date of 1st September 2015 be approved (provided that there are no objections).
4. the advertisement of the variation in a local newspaper be authorised

27 CARDIFF CENTRAL BUS INTERCHANGE

The cabinet received an update on the Central Square regeneration scheme and the recent progress made with the delivery of a new central bus interchange together with details of the preferred concept design for a new central bus interchange. It was proposed that an engagement process that would outline the proposals for a new bus interchange to the public be approved and views sought on a number of issues regarding the facilities to be provided.

RESOLVED: that :

1. the preferred concept design for a new Central Bus Interchange as presented in the report be approved
2. authority be delegated to the Director of City Operations and the Director of Economic Development in consultation with the Leader of the Council, Cabinet Member for Transport, Planning and Sustainability, Cabinet Member for Corporate Services and Performance, Section 151 Officer and the Director of Governance and Legal Services to progress with the preparation of a detailed scheme, updated development appraisal and full financial appraisal for the delivery of a new Central Bus Interchange and to return to Cabinet in October in advance of submitting a planning application;
3. authority be given to begin a public engagement process on the 3rd July 2015 for 4 weeks to present the proposals for a new bus interchange to the public and to consult on a number of issues relating to the facilities to be provided within the new bus interchange and to raise awareness of the interim arrangements in advance of the closure of the current bus station on 1st August 2015.

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

LIBRARY SERVICES IN ROATH/ADAMSDOWN

**REPORT OF DIRECTOR OF COMMUNITIES, HOUSING &
CUSTOMER SERVICES**

AGENDA ITEM: 2

**PORTFOLIO: COMMUNITY DEVELOPMENT, CO-OPERATIVES & SOCIAL
ENTERPRISE (COUNCILLOR PETER BRADBURY)**

Reason for this Report

1. To recommend proposals for the delivery of sustainable library services in Roath and Adamsdown, informed by the newly agreed Libraries strategy and in light of the condition assessment of the current Library building in Roath.
2. To recommend that officers work to develop longer term options for a Community Partnership Hub in a potential building in the Adamsdown/ Plasnewydd area and to report back to Cabinet for further consideration of such options.

Background

3. Public library services are regulated by the Public Libraries and Museums Act 1964. This requires local authorities to provide comprehensive and efficient library services. Within Wales, the Deputy Minister for Culture and Sport supervises the library services provided by local authorities through the Welsh Public Library Standards (WPLS).
4. A new strategy for library services in Cardiff was developed in 2014 in response to changing service demands and the challenging financial climate. The strategy was developed around 6 key themes :
 - Integration of library services within community hubs
 - Mobilisation of services on a neighbourhood basis
 - Community involvement
 - Commercialisation
 - Use of Technology
 - Alternative delivery models

5. The new strategy was consulted upon as part of the “Changes for Cardiff” budget consultation. 4,191 people took the time to complete the questionnaire, over 500 attended engagement events, and a large number of the public gave views via petitions, calls for community polls and through correspondence. The analysed results and supplementary information can be found on <https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Council-Budget/2015-16/Pages/Consultation-results.aspx>. In terms of the petitions received the highest number of signatories opposing closure was 1,894 for Rhiwbina library and the lowest number was 29 in relation to Roath library.
6. As a result of the consultation, amendments were made to the libraries strategy. A key area of concern centred on the proposals for the current stand-alone branch libraries. There was significant support for the integrated approach to service provision through the ongoing delivery of hubs, in line with the formal Hub Strategy.
7. However, the lack of council funding to extend this approach to all branch libraries and the potential loss of well used and well loved facilities were a major issue. The original recommendations for each branch library were therefore amended so that, where a public service hub was not a viable option, community support would be sought to continue a library service alongside either community or commercial-led activity in a community hub. These hubs would receive continued council-funded support to meet the cost of the supply of books, ICT equipment (including self-service kiosks) training and professional librarian support from the Neighbourhood Development Librarian.
8. The amended strategy made it clear that the neighbourhood-based library service would still be delivered from existing stand-alone library buildings, supported by community or commercial involvement, except in those circumstances where condition or accessibility of the building made that objective unachievable. In those circumstances, alternative venues would be identified as a base for a similar range of community, commercial and library provisions.
9. On 26th February 2015 the revised Libraries Strategy was presented to Council and agreed. This strategy can be found in appendix 1. Within the newly adopted Library Strategy, the council's proposal for Roath was to: *“Actively seek commercial, community and partner involvement with continued supply of books, IT equipment (incl. self-serve kiosks) and support of the Neighbourhood Development Librarian in an alternative location if the condition of the property means that retaining the existing library is unsustainable”*.

Roath Library

10. Roath Library is situated on Newport Road, Adamsdown and is located approximately one kilometre east of Cardiff City Centre. It is on the Plasnewydd Ward boundary. The property is situated directly on the principal route connecting the city centre to the east of the city. Public

transport is readily available, serviced by Cardiff Bus. The nearest rail link is Queen Street station to the west of the city centre. Appendix 3

11. Neighbouring Libraries include:
 - **Sploitt Library** (current location until Summer 2016)
0.5 miles – 5 minute drive and 11 minute walk.
 - **Star Hub** (new Hub location from Summer 2016)
1.1 miles – 4 minute drive, 22 minute walk and accessible from bus 11.
 - **Penylan Library**
0.9 miles – 4 minute drive, 18 minute walk and accessible from 52 bus.
 - **Central Library**
1.1 miles – 7 minute drive, 22 minute walk and accessible via buses 45, 30, 49 and 44.
 - **Cathays Library**
1.3 miles – 7 minute drive, 26 minute walk and accessible from 38(A) bus.
12. The new Star Hub referenced above, is a project that brings together leisure, libraries, advice and partner services in one multifunction location. The planned development is a major £6million investment in a multi agency facility that will ensure the sustainability of local service provision by aligning services to meet local needs more effectively.
13. Roath Library is freehold owned by Cardiff Council, this property has a designated D1 non-residential institutions use and in July 1997 it was designated a Grade 2 listed building.
14. The building opened 40.5 hours per week and ran the following classes:
 - Informal English for Speakers of Other Languages (ESOL) classes for asylum seekers - Monday, Tuesday, Thursday and Friday, 2:00-4:00pm
 - Watercolour class 10:00am-12:00pm every Tuesday during term time, organised by East Moors
 - Reading Group on the second Thursday of every month at 11:30am
 - A Knitting Group meets one Saturday every month from 2:00-4:00pm
 - Regular coffee mornings and occasional author visits
 - Storytime, Rhymetime or Language and Play (LAP) sessions for under 5s
15. The budget for the library is £102,000, which consists of £76,500 employee-related costs, £28,000 for associated building and facilities management expenses, less an income of £2,500.
16. The two wards that the library predominately serves are Adamsdown and Plasnewydd. These areas have a high immigrant and refugee population. According to the 2011 census, 25.1% of Adamsdown and 23.6% of

Plasnewydd residents state that their place of birth was outside of the UK.

17. The building is currently closed temporarily as it is not fit for public use. After the boiler failed, the temperature of the building was monitored on a daily basis and a temporary heating solution was not possible as the electricians would not support the number of temporary heaters required to heat the large open space. Therefore the decision was taken to close in November 2014.
18. A significant leak occurred in the Roath library building on 15th December 2014. Patch repairs were carried out to make the building watertight at a cost of £2,500.

Roath Library Building Condition

19. Roath Library will now require substantial investment to return the building back into use, the estimated cost to replace all the slates and lead flashing to the low-level single-storey building, where the roof is leaking is estimated at £28,300.
20. The internal repairs and damage will be covered by insurance, however the council in managing its assets aims to operate on self insured bases. The excess premium for claims from the council's external insurer is £100,000. This means that the first £100,000 would come from council funds, and we would not be able to claim for any general wear and tear or the maintenance backlog.
21. The maintenance backlog is estimated at £250,000. Appendix 2 provides a building condition report. In addition to this, the works for the new boiler is estimated to be in the region of £43,000 and the current shelving and furniture would need replacing and this would be in the region of £80,000, based on other similar sized libraries.
22. All condition surveys carried out for the Council are high level and unobtrusive with repair costs estimated from a schedule. The total required works cost for Roath Library would be dependent on carrying out a detailed design specification for the refurbishment of the building. Based on refurbishment works to similar age and size properties the actual refurbishment costs have been significantly higher than that of the total backlog costs identified in the condition surveys.

Recommendation

23. Due to the condition of the building and the time required to refurbish the building it is proposed that the following is implemented immediately following the approval of this report to ensure that library provision is maintained in the area.
 - Drop off and collection point for Library books at Adamsdown Day Centre.

- New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards.
 - Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays afternoons 1pm to 4pm and Fridays 9am to 4pm. During this time a pop-up library provision will also be run, where people can access library services.
 - Existing Storytime and Rhymetime classes that have been moved to Star Library to continue.
 - 4 additional open access PCs located in Splott Library to continue.
24. In the course of discussions with representatives of St Germans Church it emerged that there are proposals being considered for longer term and more significant development opportunities with a local registered social landlord. Whilst these discussions are at an early stage it is apparent that the longer term plans could potentially provide an opportunity to reshape the day centre provision including a community café, community space and library services. In light of this possible opportunity, whilst it is possible temporary library services can be input into the existing day centre it would not be prudent to invest in the fabric of the existing day building.
25. It is proposed that the building is offered for a Community Asset Transfer with the condition that a bid from an organisation will provide library services and is supported by a sustainable business case in line with the Library Strategy. Acceptance of a preferred bid shall be undertaken by the Director of Economic Development in consultation with the Director of Communities, Housing & Customer Services
26. In accordance with the new Libraries Strategy and to support this provision it is proposed that a qualified Neighbourhood Development Librarian (at a cost of £33,000) post is created to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. The creation of this post will be permanent as any longer term library provision will benefit from the support for this qualified Neighbourhood Development Librarian.
27. Officers that have substantive posts at Roath Library have been relocated to vacancies within the service and consultation with those staff members will take place on making these their permanent position, other opportunities within the service or voluntary severance.
28. If Community Asset Transfer is not successful the council will work with partners in the area to explore the potential of including a community partnership hub within their redeveloped sites within the vicinity of Roath Library.
29. As mentioned previously in the report St Germans Church have indicated future plans to develop a future community hub facility in partnership with

a Registered Social Landlord. These plans include the potential for community space including a café and library.

30. Additionally, the YMCA has recently acquired Plasnewydd Community Centre. They also have indicated longer term plans to redevelop the site to make the best use of the space. Their aim is to increase footfall to the site, particularly during the day, by increasing their community offer and this could include library services.
31. Further to these options, it will be possible to look to at future schools reorganisation plans in the area and options for a community hub with library facilities could be included as part of those plans.
32. Options for the delivery of a community partnership hub will be progressed but given that discussions in relation to both potential schemes are at an early stage it is important that a decision is made to implement temporary short term provision of library services for the area so that services can be maintained as effectively as possible.
33. Once the longer term options have been fully assessed a future report will come back to cabinet for decision. This future long term decision will be subject to full consultation.

Trade Union Consultation

34. Trade Union consultation has taken place and they are aware of the proposals contained within this report.

Local Member consultation

35. Local members have been advised of the proposals contained within this report.

Scrutiny Consultation

36. This report went to Economy and Culture for pre-Cabinet scrutiny on 9th July 2015 and the views of the committee will be shared ahead of cabinet. At this scrutiny meeting, a representative of the 'Save Roath Library' group presented the thoughts of the community. The council has been meeting regularly with the group during the time that the library has been closed to hear their concerns and work together on the finding the solution. The group presented to council a petition of over 1,000 signatories to request that the council find the required money to bring the building back into use.

Reasons for Recommendations

37. To ensure the delivery of sustainable library services in Roath and Adamsdown informed by the newly agreed Libraries strategy and in light of the condition assessment of the current library building in Roath and to avoid the financial liabilities associated with the retention of an empty building.

Financial Implications

38. The Councils Budget report highlighted the significant financial challenges and risks to the Council including the need to make significant revenue budget savings in 2015/16 and the medium term.
39. It also highlighted the pressures on the Capital programme and the consequential effect on the Council's revenue budget of additional borrowing to undertake capital schemes as well as the need to dispose of assets in order to increase the affordability of the Capital programme.
40. The report quotes potential costs of circa £300k based on high level surveys to address the backlog of maintenance, as well as further costs for furniture and fit out, were the existing building to be utilised for services. Detailed design, surveys and professional fees are likely to result in higher costs, as has been seen in similar age and condition buildings.
41. A CAT or disposal process could take a significant period of time to implement. Whilst the property remains vacant and in Council ownership, revenue costs will continue to be incurred for items such as rates, fixed service charges, security and ongoing maintenance to avoid further deterioration of the building and its value.
42. Any additional staff resources and temporary measures as proposed by the report will need to be funded from within existing library service revenue budgets. The future report on library provision will need to consider the affordability and financial implications of options proposed, having consideration of the Council's overall financial position.
43. Any assessment of proposals for a CAT will need to ensure that due diligence is undertaken to ensure that the building and provision within it can be managed sustainably and the financial impact of any such proposal is determined.

Legal Implications

44. There are a number of options set out in this report. These legal implications only deal with the recommended option/proposals. The statutory provision in relation to provision of libraries is set out in the body of the report.
45. The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics
46. Protected characteristics are:
 - Age
 - Gender reassignment

- Sex
 - Race – including ethnic or national origin, colour or nationality
 - Disability
 - Pregnancy and maternity
 - Marriage and civil partnership
 - Sexual orientation
 - Religion or belief – including lack of belief
47. As such decisions have to be made in the context of the Council's equality act public sector duties.
48. The report identifies that an Equality Impact Assessment has been carried out and is appended at Appendix 4. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty.
49. The decision maker must have due regard to the Equality Impact Assessment in making its decision.
50. The report also sets out the consultation undertaken with the public. Any consultation must be adequate and fair. The decision maker should also have regard to such consultation when making its decision.
51. In respect of the sale of Roath Library the Council is under a duty to achieve 'best consideration' pursuant to s.123 of the Local Government Act 1972.
52. In respect of the proposal to work with partners and/or community asset transfer then further legal advice should be sought on the specific arrangements prior to implementation.

HR implications

53. Consultation has taken place with trade unions and employees on the proposal and this will continue as outlined in the body of the report. Corporately agreed processes will be followed to accommodate the displaced employees once their preferences are known.

Equality Implications

54. The equality implications have been considered and the equality impact assessment on the proposals is attached in appendix 4.

RECOMMENDATIONS

The Cabinet is recommended to agree that:

1. The condition of the Roath Library building means that alternative temporary provision needs to be delivered in the area and that paragraphs 23 to 27 are implemented.

2. The existing building be advertised for Community Asset Transfer with the condition that a bid from an organisation will provide revised library services as per the Libraries Strategy. Acceptance of a preferred bid shall be undertaken by the Director of Economic Development in consultation with the Director of Communities, Housing & Customer Services
3. Alternative permanent options should be explored to mitigate the risk that no Community Asset Transfer solution can be found.
4. In the event that no Community Asset Transfer solution is found, a future Cabinet Report be required for the long term library provision in the area.

SARAH MCGILL

Director

10 July 2015

The following Appendices are attached:

Appendix 1: Future provision of Libraries Services - Strategy paper

Appendix 2: Property Condition Report

Appendix 3: Impact of Roath Library Closure on residents within 2 mile radius

Appendix 4: Equality Impact Assessment

Appendix 1

City of Cardiff Council

Future provision of Libraries Services in Cardiff

City of Cardiff Council Libraries

City of Cardiff Council currently invests £3.9 million per annum in its Library Services. Library services are delivered from a network of buildings across the city and through locality-based mobile provision through neighbourhood librarians and the mobile delivery service.

Public library services are regulated by the Public Libraries and Museums Act 1964.

This requires local authorities to provide comprehensive and efficient library services. Within Wales the Deputy Minister for Culture and Sport supervises the library services provided by local authorities through the Welsh Public Library Standards (WPLS). This is now at the start of the 5th framework.



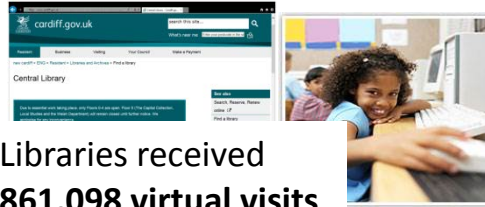
The Library Service aims to:

- Be pivotal in helping communities develop their information literacy skills in order to become digitally included.
- Contribute to the public health agenda by supporting health literacy.
- Support the child poverty agenda by providing gateways out of poverty by inspiring children to enjoy reading.
- Work collaboratively with partners within diverse communities to enhance knowledge and skills through improved literacy, enrich quality of life and empower individuals to realise their full potential.
- Support customers in accessing services in the way they want by embracing developing and emerging technologies outside of the existing building infrastructure.

The Library service in Cardiff will remain committed to these aims and delivery of the benefits they represent for the citizens of Cardiff.



Cardiff Libraries were open for **45,465 hours** last year.



Libraries received **861,098 virtual visits** (i.e. online hits to the web pages and catalogue).



Events held within the library attracted **62,740 visitors**, and a further **41,541** attended external library events.

Loaned **1.8 million books**, plus **17,000 eBooks**, to Cardiff citizens.

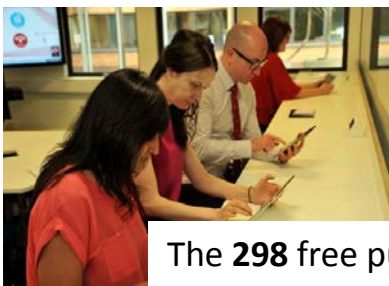


City of Cardiff Council Libraries Services

The Libraries Service has **184,310 registered users**.



Of these, **82,735** have used their card in the last 12



The **298** free public access PCs were used for a total of **324,854 hours**, in additions to the free Wi-Fi at 9 library locations.

Why do we need to change?

There are two key reasons for undertaking a review of Library provision in Cardiff.

Reason for change – Financial Pressures

Firstly, the financial pressures facing the council means that the organisation has to **evaluate the services it currently provides**. The Medium Term Financial Plan (MTFP) made clear that in order to achieve financial stability there would need to be a fundamental change in the organisation's approach to delivery.

Additionally, the Welsh Local Government Association (WLGA) Peer Review stated:

'the harsh reality is that not everything can be supported, not everything can be improved and some things will need to be reduced or be discontinued completely. Ultimately choices will revolve around reduction and/or cessation in services, demand management and service innovation.'

Proposals to review the delivery of library services in Cardiff will need to deliver £2 million of savings in line with the MTFP projection, £1 million of which to be achieved in year one.

Reason for Change – Changing Demand

Secondly, the demands placed on the service are changing and a review is required to not only see how we can meet this demand, but also how we can increase access and encourage more residents to use the service.

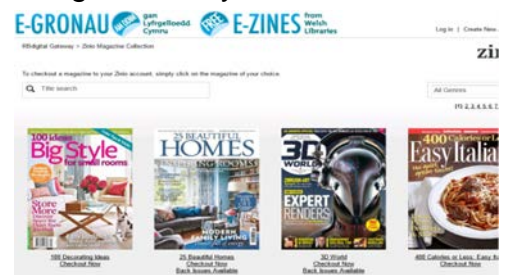
Of the active users, 72,282 stated their residential address as being within Cardiff. This represents 21% of the population of Cardiff (351,710) as using their local library within the last 12 months. To put this in perspective of the budgets, **this represents an annual subsidy of £54 per active Cardiff Resident user per year**. There is a massive potential market in Cardiff, which could be accessed by reshaping the service.

In recent years, Library services across Cardiff (in common with national and international trends) have experienced a significant change in the types of service people want. There are clear indications that customers want to access multiple

Council services from one location and the previous high demand for PC use is being replaced with customers wanting to use open access Wi-Fi. Cardiff will be investing in open access Wi-Fi for all its library buildings and more significantly has tracked the demand for complementary community uses within the library 'space'.

The service has been developing over recent years to meet these needs and has moved away from simply being a building filled with books. The needs of the neighbourhoods will continue to evolve and meeting these demands will require further development. There will be focus on libraries to be a place where people connect including use by community and social clubs, reading groups as well as learning and training sessions. The future model will include space for people to access the Council and partner services that they need including applying for jobs, getting advice and assistance in applying for passports / driving licences.

More Libraries Services are available online through the Digital Library in the form of e-books and e-zines. This means that customers do not always need to visit a library to pick up the latest book. However, the demand will remain to: access literacy and learning opportunities e.g. storytimes and reading groups, socialise through reading groups, use as a space to read, access Council / online services and to benefit from specialist Librarian knowledge



External factors that may affect the changing demands placed on the Library Service.

- Economic changes – library use increases during a recession. If there is a continuing economic improvement it is likely that the traditional approach to library provision will see a decrease in footfall.
- Welfare Reform change – demand may increase amongst those affected by policy changes who are subsequently encouraged to seek work, or required to access central government services online.
- New technology – libraries becoming a place to access technology that is not available at home.
- Mainstreaming of technology – e-readers and tablets becoming standard in most homes.

- An aging population that is more tech-savvy, comfortable using and embracing emerging technology and using social media to keep in touch.
- The rise in open access learning – as more people take courses and learn outside of the traditional college and university structures, the demand on libraries may increase to provide a learning environment and research facility.

However, it is crucial that we further understand the needs of the current and potential users of the service. The proposed consultation exercise will enable further insight into the needs of the local community that can be fed into any future redesign.

How can we meet this challenge?

City of Cardiff Council in order to meet the challenges is looking to reshape the service through adopting six key themes. These themes inform the evaluation of potential options, set the structure for the future business model and provide the basis on which consultation would take place.

Meeting the challenge – Community Hubs



The Council has embarked on an ambitious Hub Programme with the following aim:

'Cardiff's citizens will be able to access the services they need in the way they want to, through joined up services and closer working between Cardiff Council and its partners.'

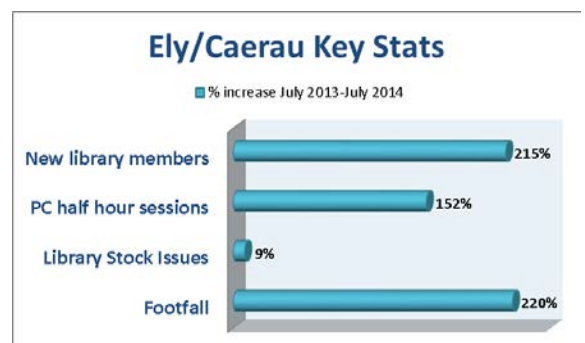
A core of generic Council services would be available at each Hub with options for the delivery of specialist Council and partner services as required by the neighbourhood. The key to future Hub provision is to improve the local service offered by integrating and decentralising services that meet local need, whilst reducing costs by disposing of buildings and sharing facilities.

To test the vision of future service delivery, three Hubs have been running. The first two Hubs opened in Llanrumney and Trowbridge / St Mellons Libraries in the autumn of 2011.

Llanrumney and Trowbridge/St Mellons Hubs 2013/14		
Customer Satisfaction	Overall the hub met my requirements / I got what I wanted	99.7%
	Satisfied with Hub staff	99.9%
	Satisfied with Hub facilities	99.8%

The third Hub opened in May 2012 at Loudoun Square in Butetown. It is based in a building owned by Cardiff Community Housing Association and provided alongside a Health Centre.

Following the success of the pilot, plans are being developed to extend the Hub provision across the city. The Ely / Caerau Hub opened on the 23rd June 2014 and has brought the previous Area Housing Office, Library, and Local Training and Enterprise Centre together in one building. Since opening, the Ely / Caerau Hub has proved very popular.



A representative from CyMAL (Welsh Government policy division that covers Libraries) has visited and provided positive feedback stating they will be using the site as an example of good practice. This approach has allowed for the closure of the old library and housing office achieving £127,000 general fund savings on non-employee related costs.

There is scope to roll out the Hub Programme to continue to bring services together and make savings. However, it is to be noted that in line with the agreed Hub Strategy it is not possible for all branch libraries to become Hubs due to: either the suitability of the building, the opportunity to bring existing revenue streams together or the need in the area.

Meeting the challenge – Mobilisation of the Library Service

As part of Libraries' aim to 'support customers in accessing services in the way they want by embracing developing and emerging technologies outside of the existing building infrastructure'. There has been a trial of additional services through a qualified Neighbourhood Development Librarian (NDL).

Areas that have traditionally used mobile library services could follow the targeted provision model, with managed collections being made available by NDLs in selected community buildings. In these Communities Buildings, the NDLs could support volunteers to provide a service.

There is a need to maintain and improve the housebound service, which provides a vital service to the most vulnerable in Cardiff. It is proposed that the service would link in with the Independent Living Project and in particular with the development of a Gateway Service, so that this client group is aware of, and can access the libraries' services. In parallel with this it is proposed for libraries to work with other Council services or volunteer groups that are already visiting this vulnerable client group. This will ensure that there is sufficient resource to meet the new client groups on a regular basis.



Meeting the challenge – Community Involvement

The Library Service is highly valued by the community in Cardiff. Through building on community relationships, opportunities exist to work collaboratively in order to build a sustainable library service. It is acknowledged that the local authority does not have all the solutions in meeting the challenges identified. This will require support of local residents and community groups in both generating innovative solutions and supporting the delivery of certain services.

As part of the consultation on the proposed recommendations, stakeholder meetings with local community groups and Cardiff's six Community Councils will take place. This will gauge the potential support that these groups can provide in the future delivery of services.

A community/commercial café library approach may provide an innovative solution to enable the library service to be delivered from a greatly reduced financial footing. The council would maintain support from:

- the supply of books, audio books, large print book.
- the transfer of IT provision including
 - Computers
 - Public Accessible Wi-Fi to at least April 2020
 - Self-serve kiosks
- a training package for volunteers/host organisation
- professional support from the Neighbourhood Development Librarian

Potential locations where this could be successful:

- Already busy Library locations
- Areas of high passing footfall
- Libraries near parks/set within gardens
- Existing community buildings that community groups are looking to increase footfall

A Community Asset Transfer Toolkit has been developed that will help community and volunteer groups understand the mutual benefits of a transfer and assist them with the process.

Meeting the challenge – Alternative Delivery

There are a variety of potential new delivery models that have been researched and considered. This includes the whole transfer of the service to a Trust (as has taken place in other authorities). The benefits include saving in Non-Domestic Rates payments and the potential for limited efficiency savings. This option would require the budget to be transferred to the new organisation and the process can take over three years to implement. Therefore, the proposal for Cardiff is that the Library Service aims to achieve savings and expand delivery through an integrated Council and community delivery offer (where appropriate).

Meeting the challenge – Use of Technology

The increase in available technology has changed the pattern of demand for Library services. Service users are more frequently using their own mobile device within Libraries and public wireless internet is currently available in Central Library and nine branch libraries. It is proposed that over the next eighteen months this will be extended to all branch libraries. This will be delivered through the externally funded 'Super Connected Cardiff' project that aims to improve broadband and wireless infrastructure in the city. Additionally, it is proposed that where possible the layout and furniture in libraries will be altered to accommodate customers using their own devices.

The Library Service is also engaging with Electronic Data Interchange software to assist with the purchase of its stocks. This is enabling the service to become more efficient and the service more 'customer-focused' through the development of more efficient processes. Electronic Data Interchange capability is currently being developed to enable the service to partner with suppliers to deliver stock directly to branch libraries, and thus reduce the space required for central storage. This will deliver improvements to customers by speeding up access to requested stock.

Cardiff Libraries also utilise Radio Frequency Identification Device technology for stock management, self-service and security purposes. By utilising this technology, there are opportunities to provide stand-alone self-service kiosks that can be located in community buildings. These would provide a basic library provision and minimise the administrative tasks associated with delivering the service. This would free up qualified library staff to deliver more specialist services. Additionally, a locker system

could be implemented in non-library locations and offer a 24/7 service where they are filled and emptied, and the library user presents their card and the correct locker door opens to allow access.

Meeting the challenge – Commercialisation

The fundamental principle of the Library Service is that it is open to all and free at the point of access and there is no proposal to change this. However, there is potential to explore the possibility of other sources of income from additional non-core services to support the financial sustainability of the service. This may include:

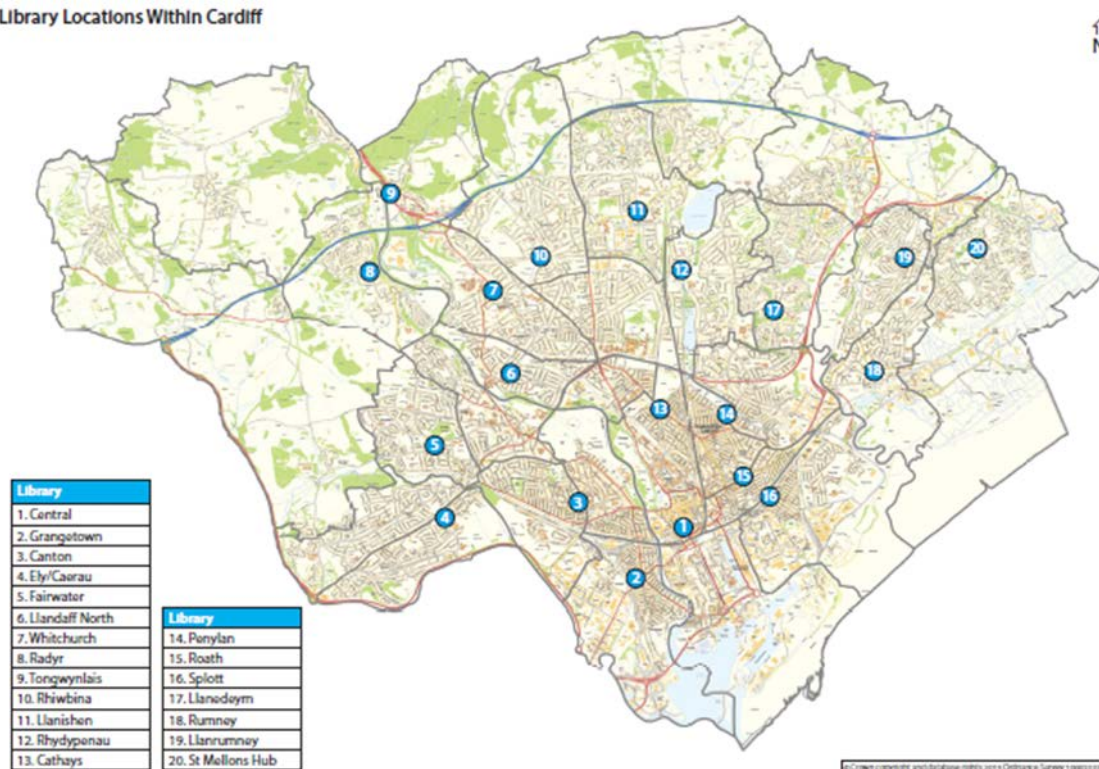
- **Sale of additional items in Libraries** This could include stamps, or e-readers with the benefit of having trained staff able to demonstrate and set up the software link with uses library membership.
- **Charging for specific courses** - This could include charging for specific courses, eg family history, e-reader courses.
- **Advertising / Commercial Sponsorship** - This could range from wholesale sponsorship of the service, to local sponsorship of a branch library, to the sale of advertising space on the delivery vans/mobile service or from the sponsorship of specific initiatives such as 'Summer Reading Challenge etc'. Also other options include, specific online advertising such as Google Pay per click from the online library.
- **Donations of money** - Opportunities for large scale philanthropist donations, to individuals leaving money in their wills, to small scale donations within the Libraries.
- **Cafes** - Where possible cafes can be installed in Libraries. Although, where either there is little space or the employee costs would restrict any income, there maybe options to locate the latest coffee vending machines inside libraries.
- **Further rental of space** - This could include photo booths or self service delivery lockers.

It is acknowledged that not all these opportunities are open to the Council and at this stage are included to understand the public perception to some of these ideas and to stimulate discussion with community groups to consider how they could support the delivery of a library service.

Review of current provision

Following the key themes of integrated service provision, community involvement, mobilisation, use of technology and commercialisation; a preferred option has been identified for each library building in the city. A detailed options appraisal document providing financial information, key data and the full range of options for each site can be viewed in the Libraries Options Appraisal appendix.

Library Locations Within Cardiff



Recommended Options

Area	Recommendation
Central Library	To be transformed into a 'Super-Hub' creating a state of the art city centre location where the public can access a wide variety of public services as well as traditional library facilities
Grangetown	Continue with plans to be delivered through a Hub based approach
Canton	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Ely	Continue to be delivered through a Hub based approach
Fairwater	To be delivered through a Hub based approach
Llandaff North	To be delivered through a Hub based approach
Radyr	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Tongwynlais	Expand the service in the area from the current 4 hours per week at no extra cost
Whitchurch	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.

Llanedeyrn	Creation of a new Community Hub with a full library service
Llanishen	Creation of a new Community Hub with a full library service
Rhiwbina	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Rhydypenau	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Rumney	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Llanrumney Hub	Continue to provide library services through the Community Hub
St Mellons Hub	Continue to be delivered through a Hub based approach
Cathays	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian.
Roath	Actively seek commercial, community and partner involvement with the continued supply of books, IT equipment (incl self serve kiosks) and support of the Neighbourhood Development Librarian in an alternative location if the condition of the property means that retaining the building is unsustainable
Penylan	Continue to be delivered through a Hub based approach
Splott	Creation of a STAR Hub, inclusive of a library on the Splott Park site

Mobilisation
of the
Service

To review the mobilisation of the service including:

- Neighbourhood Development Librarians in each area
- Self-serve kiosks
- Council/Partner and Volunteer groups for housebound clients
 - Enhance the mobile library offer

The recommendations above mean that the authority no longer fully supports the delivery of the Library service through stand-alone provision, and will deliver integrated services on a Hub model. Where a public service Hub is not a viable option, community support will be sought to continue the service alongside either community or commercial led activities in a community Hub. These Hubs will receive continued support from the supply of books, ICT equipment (including self serve kiosks), training and profession librarian support from the Neighbourhood Development Librarian. A library service will therefore still be delivered from a Library building except in those circumstances where condition or accessibility of that building is unachievable.

It is acknowledged that for the savings to be realised against the branch libraries it may take some time to consider and implement the proposals from community or commercial interests.

If the decision, informed by the consultation, is to adopt these recommendations where community or commercial partners are to be sought, the council would be looking for a partner who could:

- Demonstrate that they are a credible organisation
- Provide a deliverable and sustainable business case
- Implement the changes in a timely manner
- Deliver the provision with minimal council assistance
- Retain a council supported library service either in the current building or nearby location should the condition or accessibility of the existing building make such a move necessary

Neighbourhood Development Librarian

In order to assist with the recommendations it is proposed for the Library Service to be mobilised to reach a wider customer base. In particular, this includes the targeting of those 'harder to reach' groups. This will be achieved through

- Each Neighbourhood Partnership Area to have their own NDL.
- All NDL's to be qualified librarian
- Provide outreach to develop links with local community groups, schools, partners and individuals.
- Active promotion of library services to areas with the aim of increasing take up of these services.
- Creative and imaginative delivery of reading, ICT and information sessions in the community.

The financial savings linked to the strategy include ensuring the provision of Neighbourhood Development Librarians in each Neighbourhood Partnership area of the city.

Community Self Serve Kiosks

Cardiff Libraries are committed to the accessibility of services to our customers. We are proposing to develop services within our community to ensure that customers retain access to services by developing new and innovative platforms of delivery. We will be working with Community partners to develop community drop off points in various locations and buildings within the Neighbourhood Partnership Areas.

Community Partners will be supported with the books, electronic kiosk and assistance from the Neighbourhood Development Librarian.

To support the delivery of the library service from alternative delivery points it is proposed that £32,000 is retained for investment in the self-serve kiosks.

Consultation and Assessment

The options contained within this report will require full public, local member and key stakeholder consultation. It formed part of the wider *Changes for Cardiff* consultation that commenced 21st November. This will enable consistency and support the City of Cardiff Council's commitment to involve local people and communities in conversations that will shape the future of public service through the Cardiff Debate.

Each of the proposed recommendations will be subject to a full assessment and consultation. This will include an Equality Impact Assessment and an analysis of the potential impact on the WPLS.



Property Condition Report

for

ROATH LIBRARY

Cardiff County Council

Strategies Estates Division

Property Condition Report

for

ROATH LIBRARY

Introduction

This report has been produced for the Service Areas as part of a Asset Management Plan, to give them details on the condition of the property to assist in programming for recurrent repairs and maintenance. The condition survey was carried out by the Strategic Estates Division of Cardiff County Council.

Limitations

This report has been compiled exercising all reasonable skill, care and diligence. It is based on a visual inspection of the property and as such, is limited in its scope.

Condition

The survey is based on the DfEE guidance on a framework for assessing the condition of school premises for Asset Management Plans.

The buildings have been sub divided into blocks, where necessary, based on separation and age of construction and assessed on a block by block and element by element basis.

Elements and remedial works have been assessed and categorised as follows:

Condition

GOOD (Performing as intended/Operating efficiently)

SATISFACTORY (Performing as intended but exhibiting minor deterioration)

POOR (Exhibiting major defects/Not operating as intended)

BAD (Life expired/Risk of imminent failure)

Priority

1 (Within 1 Year)

2 (Within 2 Years)

3 (Within 3 - 5 Years)

The work identified in the Remedial Works has been prioritised in the year considered to be necessary by the Surveyor. However, due to limited financial budgets, some or all of the identified work may have to be postponed to later years.

Remedial Cost

The investment costs are an approximate guide and not actual costs for undertaking the remedial works. For the purposes of this exercise maintenance items below £1,000 have not been included in this report.

Property Condition Report

for ROATH LIBRARY

Site

Survey Date: 17/12/2013

Elemental Condition

Walls / Fences / Gates	POOR
Roads / Carparks	Not Applicable
Paths / Playgrounds / Paved Areas	SATISFACTORY
Soft Landscaping	Not Applicable
Drainage	SATISFACTORY
Ancilliary Premises / Outdoor Pools	Not Applicable
General Overall Condition	SATISFACTORY

Site Remedial Works

Element	Condition	Works	Priority	Cost
Walls / Fences / Gates		Investigate/repair movement to boundary wall		£2,000
Total Cost:				£2,000

Notes

Building

Survey Date 02/12/2013

Block No 1

Elemental Condition

Roofs	SATISFACTORY	External Walls / Doors /Windows	SATISFACTORY
Internal Doors / Walls	SATISFACTORY	Floors / Stairs	SATISFACTORY
Ceilings	SATISFACTORY	Furniture / Fittings	SATISFACTORY
Sanitary Ware	SATISFACTORY	Redecoration	SATISFACTORY
Mechanical Services	POOR	Electrical Services	POOR
Overall Condition	SATISFACTORY		

Block Remedial Works

Element	Condition	Works	Priority	Cost
Ceilings - Ground Floor	SATISFACTORY	Hack off damp affected areas and replaster (incl access)	2	£2,000
Ceilings - Ground Floor	POOR	Hack off damp affected areas and re-plaster, inc mobile access	2	£1,700

Property Condition Report

for ROATH LIBRARY

Control gear	POOR	Up grade main incoming cable	3	£3,000
Control gear	POOR	Replace distribution boards due to age	3	£4,500
Control gear	POOR	Replace main swichgear	3	£8,000
EWWD - Doors	POOR	Renew existing door to G04	2	£1,230
EWWD - Walls	SATISFACTORY	Consider pigeon deterrent measures, inc access	2	£2,500
EWWD - Walls	POOR	Re-point brickwork on all elevations and remove vegetation (incl access)	2	£27,600
EWWD - Walls	BAD	Investigate & repair high level bathstone features, inc access and unforeseen repairs	1	£14,000
EWWD - Windows	POOR	Investigate & repair/replace bowed/damaged stone mullions to windows of G02 & G03, inc access	2	£5,500
EWWD - Windows	POOR	Repair high level stone windows and repair/repointing stonework, inc	2	£8,000
EWWD - Windows	POOR	Replace Newport Road elevation timber windows inc scaffold access & pedestrian walkway	2	£14,250
Floors & Stairs - Ground Floor	SATISFACTORY	Replace floor finishes to kitchen,G08 and corridor adjacent to G09. Investigate the condition of the floorin G04.	2	£1,400
Heat source / equipment	POOR	Replace boiler and associated plant due to age	3	£15,000
Heating / distribution / controls	POOR	Consider replacement of heating system due to age and suspected internal corrosion	3	£25,000
Hot & Cold water services	POOR	Replace the system due to age	3	£15,000
Int WD - Walls / partitions	POOR	Hack off and renew damp affected/hollow plaster and renew rotten skirting/architrave adjacent to rear exit door	2	£1,700
Lighting	POOR	Replace lighting due to age and condition	2	£33,000
Power	POOR	Replace small power installation due to age and condition	3	£15,300
Redecorations - External	POOR	Prepare and paint previously redecorated surfaces, inc mobile access	2	£3,000
Redecorations - Internal	POOR	Ongoing cyclical redecoration, approx. 75%, inc mobile access	2	£13,460
Roofs - Coverings	POOR	Strip, felt, rebatten & recover lower roofs at the rear of the building with synthetic slates (incl access)	2	£26,000
Roofs - Coverings	POOR	Make good areas of water ingress to pitched & flat roof areas. Inc £1000 for re-fixing slipped tiles and £5000 for scaffolding edge protection.	2	£7,000

Property Condition Report

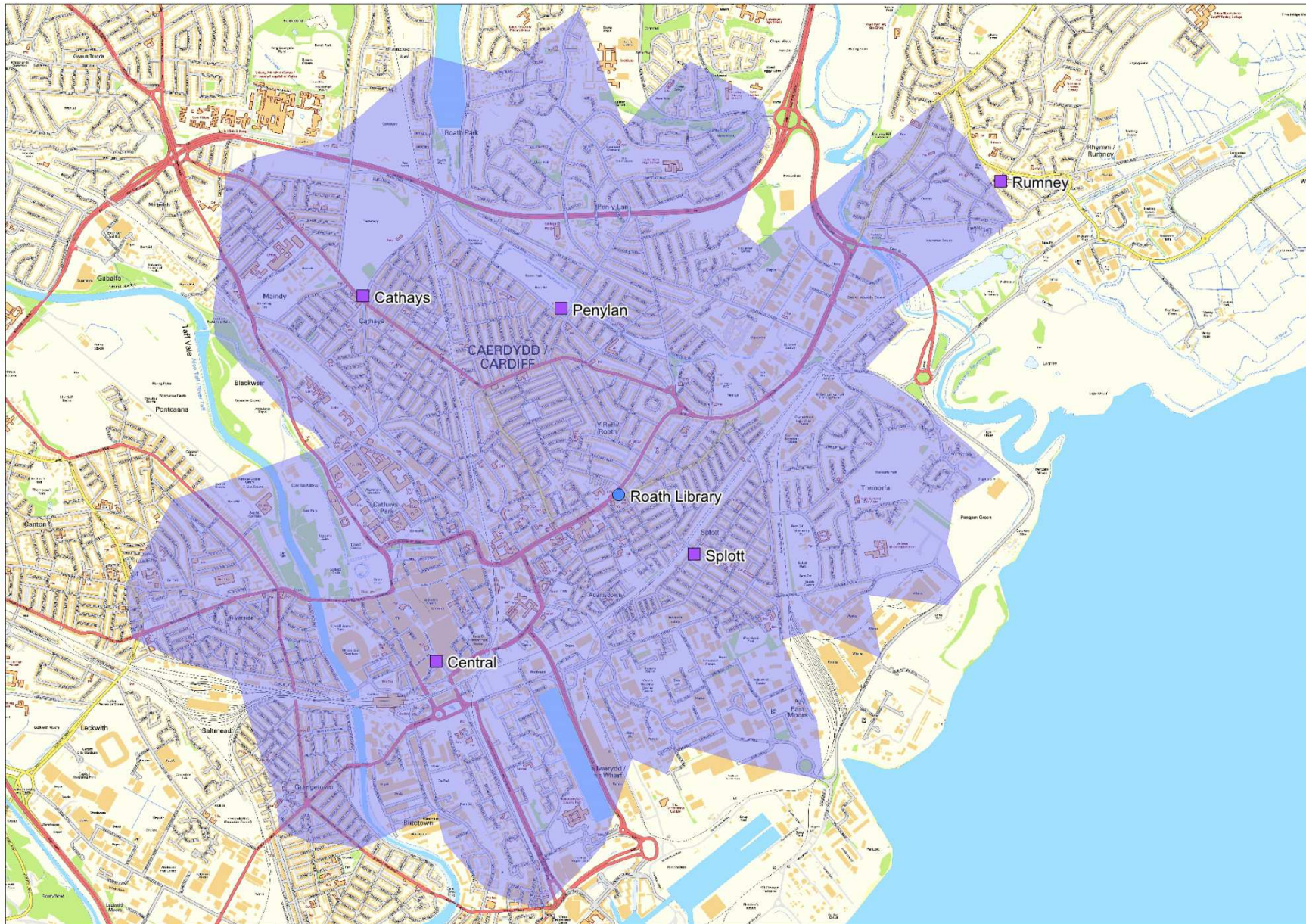
for
ROATH LIBRARY

Roofs - Rainwater goods	POOR	Overhaul & clean rainwater goods of vegetation and debris, inc access.	2	£4,000
Ventilation / air conditioning	POOR	Replace ventilation fans at EoEL	3	£1,200
			Total:	£253,340

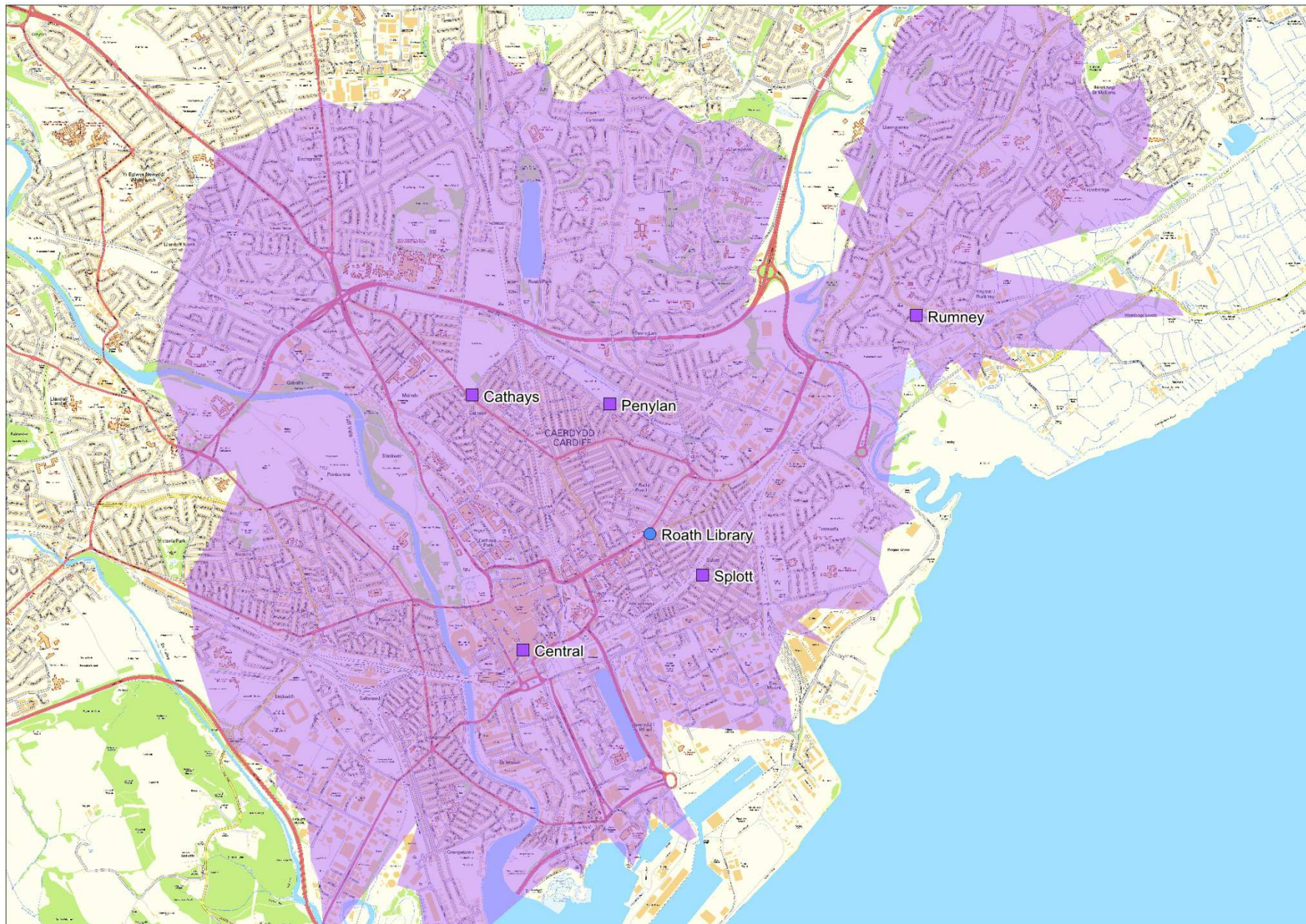
Note

Report Total: £255,340

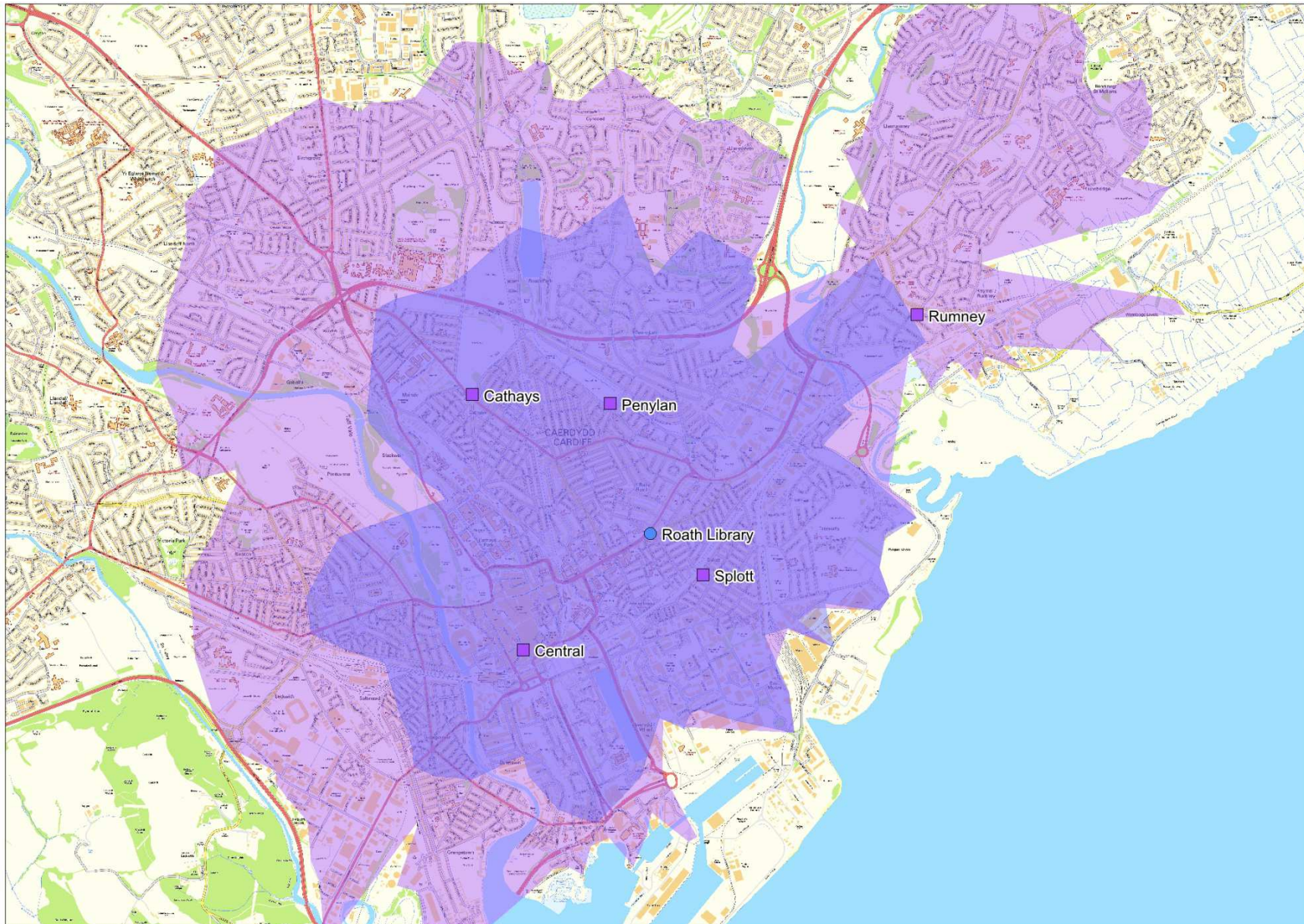
Roath library 2 mile coverage – 58,016 residential properties



Roath library - Surrounding libraries 2 mile coverage



Roath library & Surrounding libraries 2 mile coverage



Equality Impact Assessment
Corporate Assessment Template



Appendix 4

Service/Function Title: Closure of Roath Library
New/Existing/Updating/Amending: New

Who is responsible for developing and implementing the Service/Function?	
Name: Sarah McGill	Job Title: Director,
Service Team: Libraries	Service Area: Communities, Housing & Customer Services
Assessment Date: May 2015	

1. What are the objectives of the Service/Function?

To recommend proposals for the delivery of sustainable library services in Roath and Adamsdown informed by the newly agreed Libraries strategy and in light of the condition assessment of the current Library building in Roath.

2. Please provide background information on the Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]

Roath Library

Roath Library is situated on Newport Road, Adamsdown and is located approximately one kilometre east of Cardiff City Centre. It is on the Plasnewydd Ward boundary. The property is situated directly on the principal route connecting the city centre to the east of the city. Public transport is readily available, serviced by Cardiff Bus. The nearest rail link is Queen Street station to the west of the city centre.

Neighbouring Libraries include:

- **Sploft Library** (current location)
 - 0.5 miles – 5 minute drive and 11 minute walk.
- **Star Hub** (new Hub location from Summer 2016)
 - 1.1 miles – 4 minute drive, 22 minute walk and accessible from bus 11.
- **Penylan Library**
 - 0.9 miles – 4 minute drive, 18 minute walk and accessible from 52 bus.
- **Central Library**
 - 1.1 miles – 7 minute drive, 22 minute walk and accessible via buses 45, 30, 49 and 44.
- **Cathays Library**

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Equality Impact Assessment Corporate Assessment Template

- 1.3 miles – 7 minute drive, 26 minute walk and accessible from 38(A) bus.

The building opened 40.5 hours per week and ran the following classes:

- Informal English for Speakers of Other Languages (ESOL) classes for asylum seekers - Monday, Tuesday, Thursday and Friday, 2:00-4:00pm
- Watercolour class 10:00am-12:00pm every Tuesday during term time, organised by East Moors
- Reading Group on the second Thursday of every month at 11:30am
- A Knitting Group meets one Saturday every month from 2:00-4:00pm
- Regular coffee mornings and occasional author visits
- Storytime, Rhymetime or Language and Play (LAP) sessions for under 5s

The two wards that the library predominately services are Adamsdown and Plasnewydd. These areas have a high immigrant and refugee population. According to the 2011 census, 25.1% of Adamsdown and 23.6% of Plasnewydd residents state that their place of birth was outside of the UK, compared to 12.7% for Cardiff as a whole. From the same census, households with at least one person for whom English or Welsh is not their main language, Adamsdown has 24.6%, Plasnewydd 20.8%, and Cardiff as a whole 9.6%. Changing this to households where no-one has English or Welsh as a main language, Adamsdown has 16.9%. Plasnewydd 12.3%, and Cardiff as a whole 5.2%

Both areas are relatively young, with a skew towards 15-40 age groups. Percentages of populations for main age groups are:

	Plasnewydd	Adamsdown	Cardiff
Total usual Residents	%	%	%
0-14	9.6	14.6	17.1
15-64	83.4	79.1	69.8
65+	6.9	6.3	13.2
Mean Age	26	27	37

Both wards have lower numbers of young children and older people than the city as a whole.

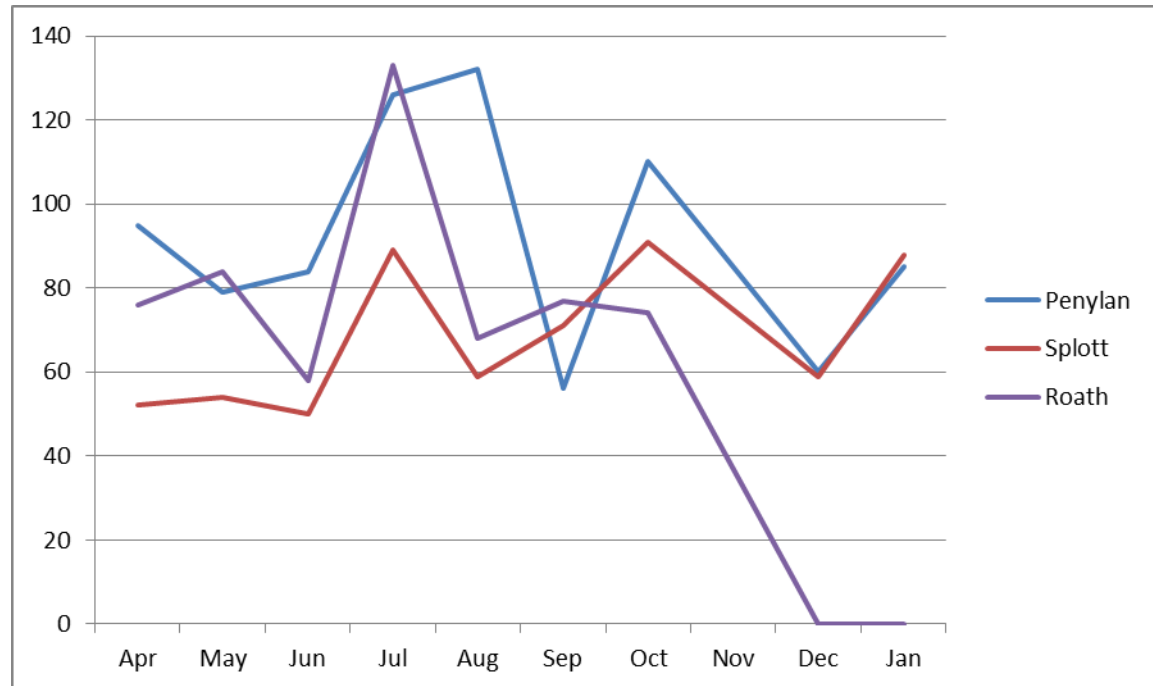
The building is currently closed temporarily as it is not fit for public use. After the boiler failed, the temperature of the building was monitored on a daily basis and a temporary heating solution was not possible as the electricians would not support the number of temporary heaters required to heat the large open space. Therefore the decision was taken to close in November 2014.

Some indicators of any migration to other libraries in the area since the temporary closure are shown below:

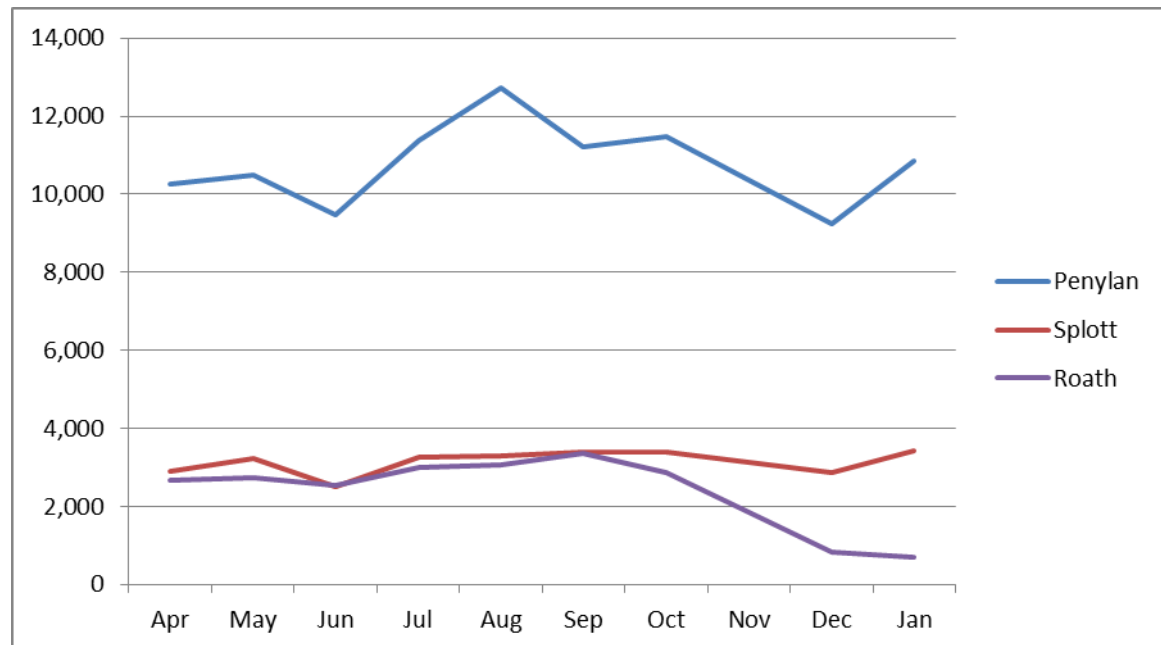
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Equality Impact Assessment
Corporate Assessment Template

New Users



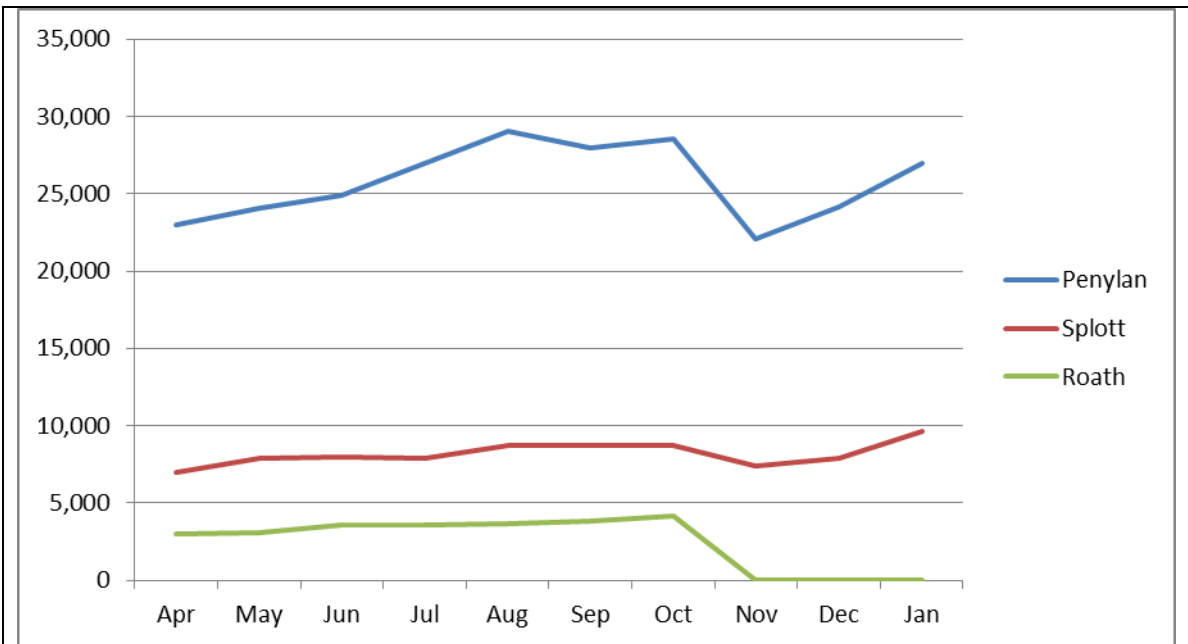
Number of issues of items



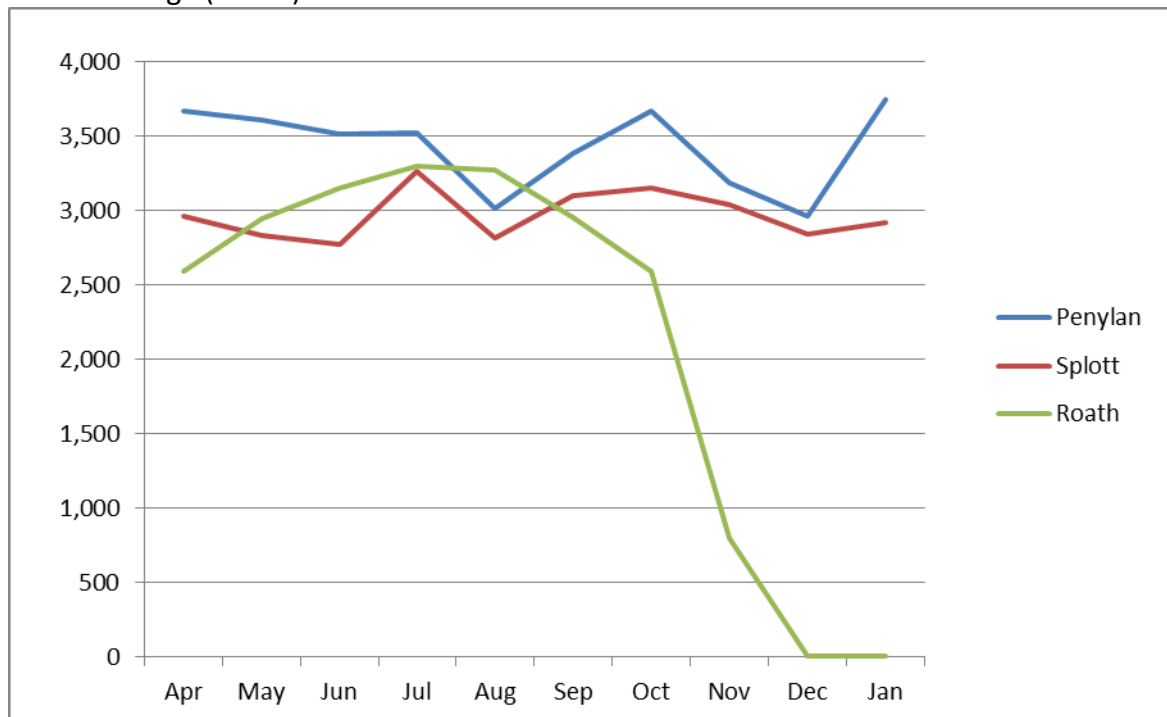
Footfall

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Equality Impact Assessment
Corporate Assessment Template



Internet usage (Hours)



In view of the condition of the building Roath was identified in the approved Library strategy as likely to be unsustainable as a community partnership hub. Therefore both long and short term alternative solutions for library service provision in the Roath and Adamsdown area were considered.

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**Equality Impact Assessment
Corporate Assessment Template**

3 Assess Impact on the Protected Characteristics

3.1 Age

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative/]** on younger/older people?

	Yes	No	N/A
Up to 18 years	X		
18 - 65 years	X		
Over 65 years	X		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

If the proposal is agreed it would have a negative impact on all ages, due to the current activities that take place:

- Watercolour class 10:00am-12:00pm every Tuesday during term time, organised by East Moors
- Reading Group on the second Thursday of every month at 11:30am
- A Knitting Group meets one Saturday every month from 2:00-4:00pm
- Regular coffee mornings and occasional author visits
- Storytime, Rhymetime or Language and Play (LAP) sessions for under 5s

What action(s) can you take to address the differential impact?

Temporary Solutions

- Drop off and collection point for Library books at Adamsdown Day Centre.
- New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards.
- Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays and Fridays 9am to 5pm.
- During this time a pop-up library provision will also be run, where people can access library services.
- Existing Storytime and Rhymetime classes that have been moved to Star Library to continue.
- 4 additional open access PCs located in Splott Library to continue.
- Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre

Medium Term possible solutions

- The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach

**Equality Impact Assessment
Corporate Assessment Template**

support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community.

- It is proposed that £40,000 of the capital receipt from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books.
- Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service.
- Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area. Kits currently being offered by Digital Communities Wales specifically for community based digital inclusion projects in Wales are being communicated right now to possible partner organisations.

3.2 Disability

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on disabled people?

	Yes	No	N/A
Hearing Impairment		X	
Physical Impairment	X		
Visual Impairment		X	
Learning Disability		X	
Long-Standing Illness or Health Condition		X	
Mental Health		X	
Substance Misuse		X	
Other		X	

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

If the proposal were to go ahead, this could potentially have a negative impact on anyone with a physical impairment due to the distance to travel to alternative locations.

What action(s) can you take to address the differential impact?

Temporary Solutions

- Drop off and collection point for Library books at Adamsdown Day Centre.
- New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards.
- During this time a pop-up library provision will also be run, where people can access library services.

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**Equality Impact Assessment
Corporate Assessment Template**

<p>Medium Term Solutions</p> <ul style="list-style-type: none"> Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service. <p>In place alternatives</p> <ul style="list-style-type: none"> Cardiff libraries operate a dynamic stock system. All stock can be browsed using an online catalogue, and can be requested to be collected from any library within Cardiff. Whilst this does not change distances to travel, it can allow combination of journeys to reduce impact.
--

3.3 Gender Reassignment

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on transgender people?

	Yes	No	N/A
<p>Transgender People (People who are proposing to undergo, are undergoing, or have undergone a process [or part of a process] to reassign their sex by changing physiological or other attributes of sex)</p>			x

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

N/A

What action(s) can you take to address the differential impact?

N/A

3.4. Marriage and Civil Partnership

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on marriage and civil partnership?

	Yes	No	N/A
Marriage			x

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Civil Partnership			x
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Please give details/consequences of the differential impact, and provide supporting evidence, if any.
N/A
What action(s) can you take to address the differential impact?
N/A

3.5 Pregnancy and Maternity

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on pregnancy and maternity?

	Yes	No	N/A
Pregnancy			x
Maternity			x

Please give details/consequences of the differential impact, and provide supporting evidence, if any.
N/A
What action(s) can you take to address the differential impact?
N/A

3.6 Race

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Will this Policy/Strategy/Project//Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
White	x		
Mixed / Multiple Ethnic Groups	x		
Asian / Asian British	x		
Black / African / Caribbean / Black British	x		
Other Ethnic Groups	x		

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

If the proposal were to go ahead it would have a possible negative impact on different races due to the below classes that take place through the week:

- Informal English for Speakers of Other Languages (ESOL) classes for asylum seekers - Monday, Tuesday, Thursday and Friday, 2:00-4:00pm

What action(s) can you take to address the differential impact?

Temporary Solutions

- Drop off and collection point for Library books at Adamsdown Day Centre.
- New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards.
- Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays and Fridays 9am to 5pm.
- During this time a pop-up library provision will also be run, where people can access library services.
- Existing Storytime and Rhymetime classes that have been moved to Star Library to continue.
- 4 additional open access PCs located in Splott Library to continue.
- Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsdown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre

Medium Term possible solutions

- The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community.
- It is proposed that £40,000 of the capital receipt from the sale of the

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building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books.

- Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service.
- Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area.

3.7 Religion, Belief or Non-Belief

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on people with different religions, beliefs or non-beliefs?

	Yes	No	N/A
Buddhist			X
Christian			X
Hindu			X
Humanist			X
Jewish			X
Muslim			X
Sikh			X
Other			X

Please give details/consequences of the differential impact, and provide supporting evidence, if any.

N/A

What action(s) can you take to address the differential impact?

N/A

3.8 Sex

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on men and/or women?

	Yes	No	N/A
Men			X
Women			X

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Please give details/consequences of the differential impact, and provide supporting evidence, if any.
N/A
What action(s) can you take to address the differential impact?
N/A

3.9 Sexual Orientation

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on the following groups?

	Yes	No	N/A
Bisexual			X
Gay Men			X
Gay Women/Lesbians			X
Heterosexual/Straight			X

Please give details/consequences of the differential impact, and provide supporting evidence, if any.
N/A
What action(s) can you take to address the differential impact?
N/A

3.10 Welsh Language

Will this Policy/Strategy/Project/Procedure/Service/Function have a **differential impact [positive/negative]** on Welsh Language?

	Yes	No	N/A

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Welsh Language		x	
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<p>Please give details/consequences of the differential impact, and provide supporting evidence, if any.</p> <p>Even though the demographics show a small percentage of welsh speakers in the proposed area, there could still potentially be a negative impact, as with the age and race protected characteristics, in regards to accessing books and library activities using the Welsh language.</p>
<p>What action(s) can you take to address the differential impact?</p> <p>Temporary Solutions</p> <ul style="list-style-type: none"> • Drop off and collection point for Library books at Adamsdown Day Centre. • New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards. • During this time a pop-up library provision will also be run, where people can access library services. • Existing Storytime and Rhymetime classes that have been moved to Star Library to continue. • 4 additional open access PCs located in Splott Library to continue. • Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre <p>Medium Term possible solutions</p> <ul style="list-style-type: none"> • The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. • It is proposed that £40,000 of the capital receipt from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books. • Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service. • Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area. Kits currently being offered by Digital Communities Wales specifically for community based digital inclusion projects in Wales are being communicated right now to possible partner organisations.

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Equality Impact Assessment Corporate Assessment Template

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4. Consultation and Engagement

What arrangements have been made to consult/engage with the various Equalities Groups?

<p>The new strategy was consulted upon as part of the “Changes for Cardiff” budget consultation. 4,191 people took the time to complete the questionnaire, over 500 attended engagement events, and a large number of the public gave views via petitions, calls for community polls and through correspondence. The analysed results and supplementary information can be found on http://cardiffdebate.co.uk/.</p>
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5. Summary of Actions [Listed in the Sections above]

Groups	Actions
Age	<p>Temporary Solutions</p> <ul style="list-style-type: none">• Drop off and collection point for Library books at Adamsdown Day Centre.• New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards.• Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays and Fridays 9am to 5pm.• During this time a pop-up library provision will also be run, where people can access library services.• Existing Storytime and Rhymetime classes that have been moved to Star Library to continue.• 4 additional open access PCs located in Splott Library to continue.• Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre

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	<p>Medium Term possible solutions</p> <ul style="list-style-type: none"> • The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. • It is proposed that £40,000 of the capital receipt from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books. • Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service. <p>Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area. Kits currently being offered by Digital Communities Wales specifically for community based digital inclusion projects in Wales are being communicated right now to possible partner organisations.</p>
Disability	<p>Temporary Solutions</p> <ul style="list-style-type: none"> • Drop off and collection point for Library books at Adamsdown Day Centre. • New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards. • During this time a pop-up library provision will also be run, where people can access library services. <p>Medium Term Solutions</p> <ul style="list-style-type: none"> • Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service. <p>In place alternatives</p> <ul style="list-style-type: none"> • Cardiff libraries operate a dynamic stock system. All stock can be browsed using an online catalogue, and can be requested to be collected from any library within Cardiff. Whilst this does not change distances

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	to travel, it can allow combination of journeys to reduce impact.
Gender Reassignment	n/a
Marriage & Civil Partnership	n/a
Pregnancy & Maternity	n/a
Race	<p>Temporary Solutions</p> <ul style="list-style-type: none"> • Drop off and collection point for Library books at Adamsdown Day Centre. • New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards. • Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays and Fridays 9am to 5pm. • During this time a pop-up library provision will also be run, where people can access library services. • Existing Storytime and Rhymetime classes that have been moved to Star Library to continue. • 4 additional open access PCs located in Splott Library to continue. • Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsdown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre <p>Medium Term possible solutions</p> <ul style="list-style-type: none"> • The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhythmetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. • It is proposed that £40,000 of the capital receipt from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks,

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	<p>additional IT equipment and books.</p> <ul style="list-style-type: none"> • Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service. <p>Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area.</p>
Religion/Belief	n/a
Sex	n/a
Sexual Orientation	n/a
Welsh Language	<p>Temporary Solutions</p> <ul style="list-style-type: none"> • Drop off and collection point for Library books at Adamsdown Day Centre. • New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards. • During this time a pop-up library provision will also be run, where people can access library services. • Existing Storytime and Rhymetime classes that have been moved to Star Library to continue. • 4 additional open access PCs located in Splott Library to continue. • Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre <p>Medium Term possible solutions</p> <ul style="list-style-type: none"> • The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhymetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. • It is proposed that £40,000 of the capital receipt from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books. • Adamsdown/Roath could be added to the mobile

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**Equality Impact Assessment
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	<p>library route for residents to be able to access the library service.</p> <ul style="list-style-type: none"> • Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area. Kits currently being offered by Digital Communities Wales specifically for community based digital inclusion projects in Wales are being communicated right now to possible partner organisations.
<p>Generic Over-Arching [applicable to all the above groups]</p>	<p>Temporary Solutions</p> <ul style="list-style-type: none"> • Drop off and collection point for Library books at Adamsdown Day Centre. • New mobile van to provide outreach in the Adamsdown and Plasnewydd Wards. • Digital Inclusion and Into Work services from Plasnewydd Community Centre Mondays and Fridays 9am to 5pm. • During this time a pop-up library provision will also be run, where people can access library services. • Existing Storytime and Rhymetime classes that have been moved to Star Library to continue. • 4 additional open access PCs located in Splott Library to continue. • Work with partners in the area to locate a library within their future plans – including the proposed redevelopment of Adamsdown Day Centre and/or future redevelopment plans by YMCA for Plasnewydd Community Centre <p>Medium Term possible solutions</p> <ul style="list-style-type: none"> • The creation of a Neighbourhood Development Librarian (at a cost of £33,000) to offer professional support, such as Storytime and Rhythmetime sessions. The role would require the provision of professional outreach support to develop links with local community groups, schools, partners and individuals. Creative and imaginative delivery of reading, ICT and information sessions could be delivered in the community. • It is proposed that £40,000 of the capital receipt

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Equality Impact Assessment Corporate Assessment Template

	<p>from the sale of the building is retained to support the reinvestment in the area. This will include the purchase of self-serve kiosks, additional IT equipment and books.</p> <ul style="list-style-type: none">• Adamsdown/Roath could be added to the mobile library route for residents to be able to access the library service.• Additional digital inclusion and Into Work services could be provided in partner or other council buildings in the area.
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6. Further Action

Any recommendations for action that you plan to take as a result of this Equality Impact Assessment (listed in Summary of Actions) should be included as part of your Service Area's Business Plan to be monitored on a regular basis.

7. Authorisation

The Template should be completed by the Lead Officer of the identified Policy/Strategy/Project/Function and approved by the appropriate Manager in each Service Area.

Completed By :	Date:
Designation:	
Approved By:	
Designation:	
Service Area:	

7.1 On completion of this Assessment, please ensure that the Form is posted on your Directorate's Page on CIS - *Council Wide/Management Systems/Equality Impact Assessments* - so that there is a record of all assessments undertaken in the Council.

For further information or assistance, please contact the Citizen Focus Team on 029 2087 3059 or email citizenfocus@cardiff.gov.uk

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

BUDGET STRATEGY 2016/17 AND THE MEDIUM TERM

**REPORT OF CORPORATE DIRECTOR RESOURCES & SECTION
151 OFFICER**

AGENDA ITEM: 3

**PORTFOLIO: CORPORATE SERVICES & PERFORMANCE MANAGEMENT
(COUNCILLOR GRAHAM HINCHEY)**

Reason for this Report

1. To establish the financial strategy of the Council in readiness for the preparation of the 2016/17 revenue and capital budgets and to update the financial strategy required to meet the continued significant financial challenges facing the Council in the medium term. This will include outlining the timetable for the budget process in order to present the Budget Report to Council on 25 February 2016.
2. Given the risks attached to delivering savings of the expected quantum on a year on year basis the Report will continue the practice established in 2015/16 of identifying savings targets for the Council not just for 2016/17 but also across the life of the Medium Term Financial Plan. The Report will also consider the future outlook for the Council beyond the life of the Medium Term Financial Plan during this period of sustained financial austerity coupled with increasing financial pressures, albeit these projections are highly caveated given the number of unknown variables.
3. The Budget Strategy Report will highlight the seriousness of the financial challenges ahead and the briefings that have and are being undertaken to ensure that stakeholders understand how these challenges impact on the financial resilience of the Council over the medium term. Members should take note of the statements of the Section 151 Officer within both the body of this report and the financial implications. These statements further develop those set out when the 2015/16 Budget was approved in February.
4. The policies, budget assumptions and tools that underpin the Budget Strategy are critical in moving the Council forward on a financially sustainable basis and ongoing monitoring of the Council's financial resilience will be key. Therefore the recommendations attached to this Budget Strategy Report are key in managing the ongoing risks.

Structure of the Report

5. The Budget Strategy for the Council needs to provide sufficient assurance that a coherent strategy has been developed. The Report sets out the Budget Reduction Requirement for 2015/16 and the medium term at the date of the 2015/16 Budget Report as well as contextual information in respect of the Budget Strategy. It then updates the Budget Reduction Requirement for 2016/17 and sets out the Budget Strategy to address this before doing the same over the medium term. In addition updates are included in respect of the Housing Revenue Account, the Capital Programme and future developments. Given the materiality of the financial challenges ahead it is important that this level of detail is included.
6. The following table provides an explanation of where key sections of the Report can be found. It should also be noted that a Budget Strategy Frequently Asked Questions briefing has been prepared and is included at Appendix 1.

Budget Strategy Report Section	From Para No.	Detail included within this Section
General Background	8	Economic position and Welsh Government context
Council Background	18	Corporate Plan and Organisational Development
Approach to Budget Strategy	24	Approach to setting the Budget Strategy including the Reshaping Base Budget approach and development of savings drivers
Risks and Financial resilience	35	Risks and financial resilience
2016/17 and MTFP Budget Reduction Requirement as at February 2015	49	2016/17 and MTFP Budget Reduction Requirement as at February 2015 and schools budgets
Updating the 2016/17 Budget Reduction Requirement and Budget Strategy to meet the Requirement	67	Options to reduce the 2016/17 Budget Gap including consideration of directorate clusters and other addressable spend targets
Updating the medium term Budget Reduction Requirement and Budget Strategy to meet the Requirement	89	Options to reduce the MTFP Budget Reduction Requirement including consideration of directorate clusters and other addressable spend targets, scenario analysis and future years outlook
Consultation and Engagement	108	Consultation, the Cardiff Debate and Employee Engagement
Capital Programme	119	Capital expenditure, funding and affordability
Other Budget Strategy Issues	139	Housing Revenue Account and future developments

7. In addition the implications to the Report and in particular the statement made by the Section 151 Officer within the financial implications should be noted.

General Background

Economic Position

8. This Budget Strategy Report is written in the context of continued and sustained financial restraint. The implications of the Government's spending policy assumptions as set out in its March 2015 Budget is a sharp acceleration in the pace of implied real cuts to day-to-day spending on public services and administration in 2016/17 and 2017/18. The Report therefore is based on a continued reduction in funding for local government within Wales, with funding for the Council projected to decrease by an average reduction in local funding of 3% for 2016/17. The following paragraphs set out the economic context against which savings are required although it should be noted that the funding decisions in respect of 2016/17 will be driven by decisions Welsh Government (WG) make in respect of funding allocations across the public sector which are not yet known.
9. At the beginning of June the UK Government announced reductions to the 2015/16 Welsh budget of £50 million (£43 million revenue and £7 million capital). The impact of this on WG Budget setting is unclear and therefore so are any associated reductions in local government funding. The key variable in this respect will be the position taken by WG in respect of funding for Health.
10. The Chancellor has stated that he intends to make a further budget announcement on the 8 July 2015. At the time of writing this report the content and implications of this further announcement are unknown. It is likely that the implications for local government in Wales and the Council specifically will not be known for some time to come. The Cabinet Member for Corporate Services and Performance Management will, if necessary, table a statement for Members at the Cabinet meeting on 16 July 2015.
11. The Chancellor's budget announcement in March 2015 set out the economic context based on figures produced by the Office for Budget Responsibility (OBR) against which the budget strategy will be set. Some of the main indicators from this statement were:
 - Growth forecast to be 2.5% this year and 2.3% in 2016
 - Inflation forecast to stay at target rate of 2% over the period from 2015 to 2018 with CPI projected to be 1.2% in 2016
 - National debt forecast to peak at 80.4% in 2014/15 falling to 79.8% of national income in 2016/17
12. The OBR Report sets out that global economic recovery remains uneven and the UK is not immune to the severe problems being experienced in Europe and other parts of the world economy. In addition it stated that domestically there continue to be signs of normalisation in the housing

market with indicators suggesting continued increases in house building and moderating house price growth. The Report advises that against this backdrop it is expected that the bank rate will move upwards slowly during 2016/17.

Welsh Government Context

13. The 2015/16 Budget Report set out that the percentage decrease in Aggregate External Funding from WG to the Council for 2015/16 was 2.9% which equated to a cash decrease of £12.516 million. However the actual decrease in spending power for Cardiff was £12.968 million as a result of the funding mechanism for the 21st Century Schools Local Government Borrowing Initiative (LGBI) because of the treatment used by WG within the settlement.
14. The 2015/16 WG Settlement included no indication of the amounts that local government could expect as a funding settlement in future years. Whilst the Welsh Local Government Association (WLGA) continues to lobby WG for more certainty for councils in respect of financial planning no indication has been given to date that this information will be provided.
15. The usual timetable for the release of the provisional and final budget settlements is October and December respectively. At present uncertainty in respect of potential formula and data changes in the funding formula still exists although as in 2015/16 it is anticipated that limited changes will be made to formulas. Members will be aware that a number of specific grants were consolidated in 2015/16, namely within education and waste management and consolidation rather than transferring specific grants into the settlement appears to be WG's preferred approach.
16. The Minister for Public Services wrote to the leader of the WLGA on the 21 May 2015 requesting that the Finance Sub Group be used as an opportunity for local government to set out how it is approaching its financial planning to respond to future financial challenges and to highlight priorities and pressures. The WLGA prepared a Funding Outlook paper for the 9 July Finance Sub Group. The summary to this paper stated that:
17. "Council's have played their part in delivering savings so far and are now bearing the brunt of austerity. Continued austerity is putting local services and the government's own objectives at serious risk, both now and in the future. Unprecedented unavoidable pressures facing councils next year and longer-term demographic demands are likely to "crowd out" the smaller discretionary services until they hardly exist. The well-being of current and future generations is at serious risk."

Council Background

Corporate Plan

18. The Council approved its refreshed more strategic and focused Corporate Plan in March 2015 for the period 2015 - 2017 setting out the strategic direction and providing a framework for more detailed service plans and

performance management objectives. The Corporate Plan provides a road map for meeting the twin challenges of facing increasing demand for services from a growing population, whilst funding is reducing, to enable the Council to continue to deliver great public services. This should ensure that the Council builds on its successes to become Europe's most liveable capital city. The four Corporate Plan priorities were identified as below to be delivered as part of our strong public service values of "open", "fair" and "together":

- Better education and skills for all
- Supporting vulnerable people
- Creating more jobs and better paid jobs
- Working together to transform services

19. The Corporate Plan together with significant issues identified through the Council's Statement of Internal Control, the Corporate Risk Register and performance management reports will form the basis of the financial strategy for 2016/17 and beyond.

Organisational Development Update

20. As Members are aware the Organisational Development Programme remains the driver for reviewing the shape and scope of the organisation and the way that services are delivered. This includes widening opportunities for people and communities to shape services around their needs. Within the programme there is an emphasis on identifying delivery models that may be established to meet demand pressures and reflect budgetary realities alongside identifying opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery, and reducing duplication of effort and resources. These opportunities are underpinned by the requirement to significantly strengthen performance management, workforce development and engagement arrangements whilst promoting openness through increased citizen engagement and information sharing, enabling transparent decision making and providing clearer opportunities for people to participate in decision-making processes.

21. This three year Programme provides a model to implement the fundamental changes required to ensure sustainable services are developed for the future. The governance structure is the Organisational Development Board with an Investment Review Board supporting resource allocation decisions. Within this structure there are nine Organisational Development Programmes which are as follows:

Enabling Technology and Strategic Commissioning Programme

- Assets and property
- Commercialisation and new income streams
- Improvement
- Governance and engagement
- Strategic commissioning

Reshaping Services Programme

- Reshaping customer focus and enabling technology
- Reshaping infrastructure and neighbourhood delivery
- Reshaping services for vulnerable adults
- Reshaping services for vulnerable children

22. The Reshaping Services Programme will continually review how services are reshaped against the target operating model. This model focuses on delivering sustainable services that are either classed as targeted delivery through gateways, universal provision of services using the One Council approach or enabling services within the organisation. Examples of key areas of work to date include developing a Multi-Agency Safeguarding Hub (MASH) model as part of the gateway assessment approach and commercialisation proposals in respect of an Alarm Receiving Centre as part of the universal service model. Lastly enabling services are developing the enterprise architecture infrastructure necessary to transform our service delivery for example Customer Relationship Management and mobile working.
23. In September 2014, the Wales Audit Office published its Corporate Assessment of the Council which drew together a number of conclusions to which the development of the Organisational Development Programme was a key response of the Council. The Wales Audit Office will conduct a further Corporate Assessment in October 2015, when progress made by the Council in relation to the September 2014 report will be reviewed. It is anticipated that the progress achieved in delivering the Organisational Development Programme will be an important pointer to the overall progress of the organisation in addressing the conclusions of the WAO's Corporate Assessment.

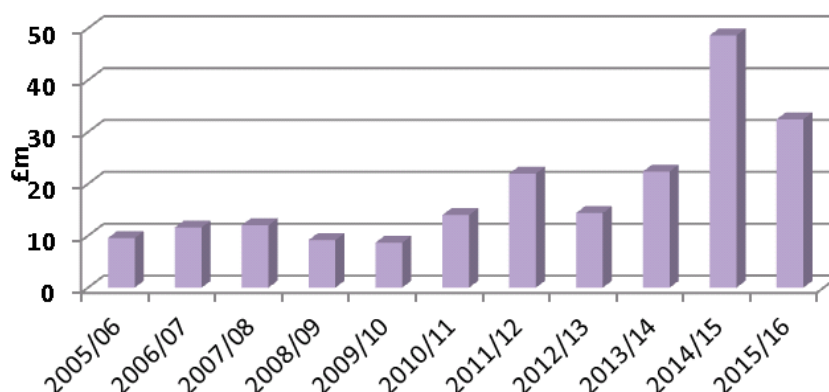
Approach to Budget Strategy

Setting the Budget Strategy

24. In 2015/16 the Council's Aggregate External Finance (AEF) was decreased by £12.516 million or 2.9% in cash terms over 2014/15, and when measured on a per capita basis was £1,170 which was well below the Welsh average of £1,323 and resulted in Cardiff being ranked as 21 out of the 22 councils in relation to the per capita funding it received from WG. In addition increasing financial pressures of £28.814 million were identified resulting in a Budget Reduction Requirement of £41.330 million.
25. The approved budget for 2015/16 included making significant savings amounting to £32.473 million, a one off capitalisation direction of £3.487 million and an increase in Council Tax rates of 5%. Over the past ten years the level of savings identified as part of the budget setting process has amounted to circa £205 million and these have become more challenging to achieve year on year. Up until 2013/14 funding increased annually but did not keep pace with demand, growth and inflation. Cuts were required to redirect funding into pressure areas but overall Council budgets continued to increase during this period. From 2014/15 funding

started to reduce. The Council's budget is now contracting annually with protection / serious demand pressure on circa 60% of its budget.

Budget Savings - 2005/06 - 2015/16



26. Setting a balanced budget for 2015/16 was extremely challenging due to the scale of the Budget Reduction Requirement. However a balanced budget was achieved and there were a number of positives in respect of the development of the budget process which will be continued and developed further in 2016/17. In summary these were:

- Specific directorate savings targets were developed following consideration of opportunities to deliver savings across both one and three years using savings driver categories in respect of policy led, business process corporate efficiency and directorate discrete savings.
- The Budget Strategy Report included the setting of a number of budget strategy planning assumptions for both one and three years in relation to council tax, employment costs, schools pressures and balance sheet assumptions which led to earlier engagement on these choices.
- As part of Budget Strategy development, high level consideration of savings proposals against the Council's proposed target operating model were considered
- Market place sessions for members to review the budget proposals for 2015/16 took place and budgetary analysis sheets were provided for context. These sessions facilitated wider engagement on the proposals.
- Cardiff Debate undertook an extensive engagement exercise with citizens, business, partners and staff.
- An eleven week consultation process on the proposed savings for 2015/16 took place which included the preparation and consideration of an extensive feedback report was prepared for Cabinet to consider.
- A due diligence process was undertaken on the proposed savings and a number of savings removed or reduced due to concerns in respect of their achievability.
- The Medium Term Financial Plan (MTFP) section of the Budget Report considered a future years outlook section up until 2029/30.

- The Budget Report included opportunities for further savings in respect of 2016/17 and 2017/18 as directorate clusters with some proposals set out as specific line items.

Approach to Reshaping the Base Budget

27. The 2015/16 Budget Report identified savings opportunities for later years of the MTFP of £52.188 million of which £30.662 million was in respect of 2016/17. The total sum was split into directorate clusters with a subset shown separately, particularly where they were reflective of an ongoing savings or policy decisions. A number of these were the subject of adjustments when the Budget was set by Council on the 26 February 2015. When compared to the MTFP at February 2015 of £120.1 million as identified in the Budget Report this resulted in a potential gap over the life of the MTFP of £67.926 million. It was acknowledged that an updated approach to identifying budget targets was required and this led to the development of the Reshaping the Base Budget approach.
28. The development of the Budget Strategy process has sought to establish linkages between the Reshaping Service Programme and the target operating model. A Reshaping the Base Budget approach was established to develop the targets for 2016/17 and the medium term. This approach looked to initially identify the shape of services and then understand the link to strategic priorities. Savings were then identified against four drivers as set out in paragraph 33.
29. In essence the approach to Reshaping the Base Budget identified services at their minimum statutory level and where the budgets are for discretionary services considered whether these can be covered by income. These opportunities were then mapped against the achievability for implementation, residual risk and policy acceptability to provide the shape of savings targets over both one and three years. In some instances this was driven by ongoing work in respect of alternative service delivery models, for example leisure centres, arts venues and infrastructure services.
30. The advantage of this approach is that it facilitated further discussion within the Council as to the future shape of the organisation given its desired outcomes, the contribution of these services to the Council's corporate priorities as set out in the Corporate Plan and where appropriate the further consideration of options available to reshape future service delivery. These discussions acknowledged the difficult policy choices ahead but also identified that given the scale of the financial challenge that choices are severely constrained. It should be emphasised that the targets do not constitute savings proposals as these will be collated over the summer for consideration and consultation this Autumn.
31. The Council will continue to develop this approach and build on existing budget tools with a focus on:
 - Gaining a fuller understanding of significant areas of spend and associated cost and demand pressures.

- Understanding how services contribute to the organisation's strategic priority outcomes and identifying where meeting a balanced budget prompts a change to these priorities.
- Developing options for reducing expenditure and increasing income using the savings drivers.
- Linking the Reshaping of Base Budget to either Business As Usual activities or to the Organisational Development Programme. The Enabling and Commissioning and Reshaping Services boards will seek to ensure that there is sufficient focus to link this work to the Target Operating Model.
- Following the setting of targets as part of the Reshaping Base Budgets Approach directorates will prepare the submission of savings proposals which will lead to a service package of savings to take forward which are considered in respect of risk and equality impact assessment and consulted upon.

32. Undertaking the above approach alongside consideration of the figures within the MTFP and emerging pressures should together with a review of the Council's budget strategy planning assumptions ensure that budget proposals are developed to enable the Council, post consultation, to set a balanced budget.

Savings Drivers

33. As detailed above the budget strategy process has continued with the approach established in 2014/15 to identify savings targets against savings drivers. In addition to the previous savings drivers of policy led savings, business process led corporate efficiency savings and discrete directorate area led savings a further driver of income/commercialisation savings has been added. This is in recognition of the value of income as a way to reduce reliance on WG funding. Challenges to income generation remain including ensuring that managers have the necessary skill sets. The Cardiff Manager Training Programme seeks to develop these commercial skills across the organisation. An explanation of each of these drivers is set out as follows:

- Policy Led Savings – these savings are driven by policy led decisions and may require specific consultation. Examples include significant reductions in the service delivered or removal of that service and alternative delivery models including collaboration.
- Business Process Efficiency Led Savings – these savings are delivered by streamlining and improving services across the Council by ensuring that processes are citizen centric and that common processes are undertaken in a standardised way. The savings identified are often driven by technology for example mobile working and scheduling, electronic document records management and customer relationship management projects.
- Discrete Directorate Led Savings – these are more traditional savings that are developed within directorates and could include reducing supplies and services budgets, employee establishment reductions and opportunities to maximise grant funding opportunities. As the setting of budgets becomes more challenging

the ability to identify significant levels of savings from this driver reduces.

- Income/commercialisation savings – these savings are those specifically driven by an ability to increase discretionary income and exploit new opportunities to sell or trade services. A commercial ethos is required that will enable the authority to respond speedily to market shifts and financial opportunities, whilst maintaining a hold on risk. The Council will have to be realistic with its ambitions for commercialism. The top authorities in this area in the UK have spent many years developing their commercial services and they still only generate a small proportion of the funds required by those authorities to deliver services.

34. It is acknowledged that there is a certain amount of cross over between these drivers in which case the most relevant savings driver is chosen to inform the target.

Risks and Financial Resilience

Risk

35. The risk assessment process carried out as part of the 2015/16 budget preparation identified significant operational and financial challenges in the medium term. In addition to considering each savings and pressure item in respect of both achievability, a number of additional specific or general Council risks were identified. These included:

- The challenging financial position in respect of reducing WG resources, increasing financial pressures against a reducing controllable base budget and increasing volatility and uncertainty in respect of hypothecated grants.
- Continuing demographic demand for social care services if trendlines vary significantly from the anticipated position.
- The impact of welfare reforms, in particular the phased implementation of Universal Credit during 2015/16, on the ability of individuals to contribute to the cost of services provided where relevant.
- Reducing demand for services where the Council has historically charged for the activity and so creating an income shortfall.
- The necessity to deliver budgeted savings from reshaping services and other change proposals that are not currently fully defined.
- The potential impact on insurance costs for the Council as a result of savings proposed.
- The need to build capacity within the community to support the empowerment of communities to take greater responsibility for the delivery of services.
- The need to make tangible progress on the Partnership for Change.
- The need to deliver significant levels of savings during a period of prolonged financial austerity particularly given the impact that delays to delivery of the proposal has on the budget monitoring position.

- The cumulative impact of achieving the savings, within this budget in addition to the unachieved 2014/15 savings which remain to be realised in 2015/16.
- The service impact of a significant reduction in headcount expected to take place over the medium term.
- The Council's ability to meet the costs of voluntary severance, albeit the discretionary element of the scheme will be reduced from April 2015, as the Council reshapes itself in line with available resources in these times of continuing financial austerity.
- The ability to react to new demands resulting from welfare reforms as they are progressively implemented together with financial risks in respect of the CTRS.
- The level of additional borrowing undertaken in previous years and proposed will require more revenue resources to be used for capital financing in future years.
- Capital schemes that are approved on the basis of generating savings, increasing income or capital receipts but which fail to do so will also increase pressure on the revenue budget.
- The potential for additional capital receipts to not reach the amount modelled in the budget in respect of the in-principle capitalisation direction.
- The impact of the potential adoption of alternative models of service delivery and the requirement to test consequential costs and benefits of the change, for example working through any potential TUPE implications.
- The impact of continuing to increase the support of revenue budgets from the Civil Parking Enforcement (CPE) reserve.
- The impact on Cardiff Bus, which is wholly owned by the Council should the WG make significant reductions to the reimbursement rate in respect of concessionary fares in 2016/17.
- The ongoing uncertainty in respect of the establishment of a permanent CTRS scheme for 2016/17.
- The financial impact of WG allocating education grants directly to the Central South Education Consortium rather than local authorities.
- The deteriorating position in respect of delegated schools' balances.
- The increasing financial exposure to the Council of the SOP consolidated financial model as the size of the programme and associated risks increase.
- The risk of WG levying fines if the Council fails to realise recycling or land fill diversion rates.
- The potential for the Council to receive less than the budgeted sum in respect of Outcome Agreement Grant either due to performance shortfalls or statutory interventions.
- The impact of functions delivered as part of a collaborative arrangement should the planned benefits not be realised.
- Financial exposure should the Council breach its partial exemption calculation in respect of VAT.

- The impact of the outcome of the joint review between the Council and the WG in respect of the next three year funding provision for the Harbour Authority.
 - The risk associated with the final settlement sum in respect of all remaining landlord councils exiting the existing HRA subsidy system from April 2015.
 - The impact of the ongoing uncertainty in respect of the outcome of local government reorganisation.
36. Given the risks identified above, particularly in relation to reductions in head count, care will continue to be required to ensure that the significant changes to business processes or personnel do not impact on the financial control environment in a negative manner.
37. The impact of these challenges are reviewed as part of the financial monitoring process and through the Corporate Risk Register both of which are reported regularly to the Cabinet and the Senior Management Team. The Council's Audit Committee also regularly review the Corporate Risk Register.

Financial Resilience

38. The 2015/16 Budget Report set out the responsibilities of both Cabinet and the Section 151 Officer to set a balanced budget. It also flagged increasing concerns in respect of the financial resilience of the Council over the medium term. Key messages in respect of financial resilience included in the 2015/16 Budget Report were as follows:
- The projected level of savings that would not be achieved in 2014/15 and the need to deliver these delayed savings in 2015/16.
 - The risks to achievability of the savings approved as part of the 2015/16 budget.
 - The significant Budget Reduction Requirement in respect of 2016/17 of £51.1 million, of which £3.5 million is due to impact of the capitalisation direction in 2015/16.
 - The level of general and earmarked reserves in relation to the financial issues and risks ahead, particularly if in year over spends materialise.
 - The increasing ratio of capital financing charges to controllable revenue budgets as Council budgets reduce and the associated relative affordability of the indicative Capital Programme worsens.
 - The need to expeditiously reduce the size of the asset base of the Council to generate capital receipts to repay debt and to remove associated revenue costs. This is particularly the case in 2015/16 to ensure that the benefit from the one-off capitalisation direction can be maximised.
 - Given the challenges ahead in respect of the Medium Term Financial Plan and beyond the need to make significant further decisions in addition to those made to date in respect of aligning the organisation to a lower sustainable resource base.

39. In addition, the development of the 2016/17 budget over the next six months will be informed by the current year's budget monitoring position. It should be noted that whilst the Council outturn for 2014/15 was favourable and allowed additional monies to be set aside in the general reserves the position at a directorate level was an overspend of £7.650 million partially offset by the budgeted contingency of £4 million. The delivery of these delayed savings, in addition to those set in the 2015/16 Budget, remains a key area of risk to be monitored as the year unfolds.
40. In the financial implications of the 2015/16 Budget Report I referred to the materiality of the service choices ahead of the Council. These difficult choices are facing all councils. The development of a deliverable Budget Strategy is a key document in reaching a balanced budget. The Reshaping the Base Budget approach has helped to inform this strategy as has the ongoing work in respect of service delivery choices particularly in respect of leisure, cultural venues and infrastructure services. Key risks remain that until robust savings proposals are submitted against targets and until work on alternative delivery models is completed that the Council may not be able to achieve financial savings of sufficient magnitude to meet the target savings.
41. The Corporate Director Resources has undertaken all Member briefing sessions to discuss financial resilience and has developed a Finance Snapshot to use at these sessions to provide a contextual backdrop for these discussions. Briefing sessions have also taken place with other key stakeholder groups including Audit Committee, the Policy Resources and Performance Scrutiny Committee and the Welsh Audit Office. Other key groups who receive regular briefings include the Schools Budget Forum and Trade Unions. It is the intention of the Director in fulfilling the Section 151 role to update key stakeholders at regular intervals during the year as further information in respect of the financial resilience of the Council becomes available.
42. Appendix 3 includes this Finance Snapshot which has been updated from those used in previous briefings to reflect the draft Statement of Accounts for 2014/15, the Outturn Report and the Budget Strategy as set out in this Report. In summary this shows that the position on General Fund reserves improved slightly from that identified when the 2015/16 Budget was set. In relation to General Fund Earmarked Reserves the updated position is a projected balance as at 31 March 2016 of £30.008 million, although it is recognised that the in-year monitoring position is likely to impact on the position. It also shows a positive Council variance against Outturn in respect of Revenue, although within this there was a significant directorate overspend of £7.650 million and an underachievement against savings of £6.903 million. The Capital Outturn showed a significant variance against the capital budget of £62.842 million. In addition the Snapshot shows the risk position when the 2015/16 Budget was set in respect of savings for that year. Lastly the figures in respect of this Report show a shortfall not matched against savings targets of £5.547 million over the life of the MTFP as set out later in this report.

43. The Council's Statement of Accounts provides a key component in assessing financial resilience and the draft Statement of Accounts for 2014/15 were reviewed by Audit Committee on the 22 June prior to the Corporate Director of Resources signing them as the responsible officer. The Accounts are currently on deposit and will be audited at the end of this period. The audited accounts will be presented to Council in September. The unaudited accounts show that the level of the Council's General Fund Reserve is £13.154 million. This is an increase of £1.741 million on the previous year's balance. Of this £595,000 was identified in February as being required to balance the 2015/16 budget, therefore the unallocated additional amount is £1.146 million. After adjusting for this the Council's general reserves are at 2.2% (1.92% in 2013/14) of its net expenditure budget which is an improvement on the previous year. Whilst 2014/15 comparators are not available as yet it is below both the Welsh and English averages as at 31 March 2014.
44. The unaudited accounts show that the Council's General Fund Earmarked Reserves have increased by £2.758 million from £30.559 million as at 31 March 14 to £33.317 million as at 31 March 2015. Earmarked reserves are amounts set aside to provide financing for future expenditure plans. Within this figure there was a net reduction of £1.182 million in respect of schools balances and a net deficit of £472,000 as at 31 March 2015. This includes an amount in respect of severance and exit costs of £1.9 million paid out in 2014/15 to be repaid back by schools over the next 5 years.
45. Within Council Fund Earmarked Reserves there was a net increase in respect of Other Earmarked Reserves of £4.323 million. Within this increase the material increases are a £1.404 million increase in the Central Enterprise Zone earmarked reserve, £1.034 million in relation to the Insurance reserve and £2.020 million in relation to Waste Management/Prosiect Gwyrdd. In respect of the Waste Management/Prosiect Gwyrdd earmarked reserve this figure is £808,000 higher than initially envisaged following the late notification by WG on the 2 June 2015 that no further financial action would be taken in respect of the 2013/14 missed targets on recycling and landfill allowances.
46. The Council's strategy for holding and utilising reserves is set out in its Financial Procedure Rules and members, following advice provided by the Section 151 Officer, will consider both the level of reserves held and whether any amounts should be used to support the budget setting process. As part of this consideration members are made aware that the use of reserves is finite in nature and therefore care is required to ensure that their use does not create a significant budget gap which would need to be filled in the following year.
47. In setting the Council's budget strategy for 2016/17 it is acknowledged that the budget setting process must be flexible enough to react to both unknown and anticipated but not fully quantified financial risks and challenges. As already identified the risks attached to the 2016/17 budget setting process will be greater than in previous years due to the quantum of savings to be found, the cumulative impact of savings to date and the ongoing uncertainty in respect of funding. The consideration of the

appropriate level of general and earmarked reserves will be part of the consideration of these financial risks.

48. The Budget Strategy Planning Assumptions section of this report sets out the suggested use of both general and earmarked reserves in both 2016/17 and the Medium Term. It concludes that there may be some limited scope to utilise reserves. This position will be reviewed and a final position taken when the Budget is set in February. At this stage a fuller position in respect of in year monitoring, emerging pressures and risks and WG funding levels will have emerged to inform the requirement to maintain balances and if necessary build financial resilience against the immediate financial challenges of setting a balanced budget.

The 2016/17 and MTFP Budget Reduction Requirement

2016/17 Budget Reduction Requirement

49. The Budget Reduction Requirement identified for 2016/17 in the February 2015 Budget Report was £51.1 million. This gap was particularly high due to a number of factors including the impact in commitments of the one off capitalisation direction in 2015/16 (£3.487 million) and the impact to employee costs as a result of national insurance increases linked to changes to the single tier pension (£7.465 million). The table below summarises the budget gap for 2016/17 and the main components of increasing financial pressures alongside the anticipated reduction in WG funding:

Budget Reduction Requirement (as per February Budget Report)	2016/17 £000	Non Schools £000	Delegated Schools £000
Employee Costs	15,453	6,020	9,433
Specific Inflationary Pressures	1,045	920	125
Capital Financing	515	515	0
Commitments	7,180	7,180	0
Demographic Growth	8,183	4,150	4,033
Financial Pressures (provisional sum)	6,000	6,000	0
Total Pressures	38,376	24,785	13,591
Anticipated Funding Reduction (3%)	12,723		
Budget Reduction Requirement	51,099		

50. The following table illustrates the projected distribution of these sums both within and outside of directorates. This table highlights that 63.4% (£32.38 million) of the budget gap is redistributed to areas outside of directorate spend and is a particularly high figure due to financial pressures in schools and the fall out of the capitalisation direction.

Distribution of 2016/17 Budget Gap (as per February Budget Report)	2016/17 £m
WG Funding Reduction	12.70
Fall out of capitalisation	3.48
Financial Pressures - schools (before any cap)	13.60
Financial pressure to non-directorate areas	2.60
Sub-Total outside directorates	32.38
Financial Pressures recycled to Social Care	5.42
Financial Pressures recycled to other directorates	7.29
Emerging Financial Pressures	6.00
Sub-Total Recycled within directorates	18.71
MTFP Total	51.09

51. In addressing the Budget Gap the Council considers and makes decisions when its budget is set which are a combination of the options set out below:
52. **Reduce the Budget Gap** – The Budget Gap figure is dynamic and will change during the year. Work is ongoing to review the make up of the £51.1 million and whether there is any scope to reduce this figure. This exercise will include technical work and policy discussions. Whilst the £6 million identified for directorate pressures is a provisional sum it should be noted that there may be legislative or regulatory pressures as well as any impact in respect of the in year monitoring position. The work undertaken to date has identified some scope to reduce this Gap as set out in paragraph 67.
53. **Identify savings from Reshaping Base Budget** – The Reshaping the Base Budget exercise has informed the targets for directorates using the four savings drivers as detailed in this report. In addition further work on addressable spend has and will continue to feed through into this exercise. As stated previously it should be noted that this exercise has been informing the setting of targets rather than individual savings proposals which will be collated over the summer months for consideration and consultation at a later date.
54. **Identifying Budget Strategy Planning Assumptions** – These assumptions are set out in further detail in the report and include council tax increases, schools pressures and a review of the Balance Sheet. The section above sets out the matters in respect of financial resilience which inform this position. It should be noted that use of reserves is a one off source of funding and therefore increases financial pressures in later years.
55. In addressing this Budget Gap the Council needs to exercise choices which balance its requirements in respect of statutory versus discretionary services and financial resilience.

Schools Budgets

56. The WG has yet to formally indicate whether the requirement for councils to protect the delegated schools budgets will be maintained in 2016/17 however this report assumes that this is the case. Based on an estimated reduction in the WG's budget for 2016/17 of 1.25% the strategy assumes that protection restrict councils from reducing the budget to delegated schools by more than 0.25%. The impact of reductions to the overall WG budget could result in a change to this percentage. It should be noted that this requirement is outside of monies passported to delegated schools budgets in respect of increases in pupil numbers which at present is projected to be £4.033 million or decisions that the Council will need to take in respect of the level of additional funding to support schools pressures. These matters are considered in further detail in the Budget Strategy Assumptions section of this report.

Partnership for Change

57. The Partnership for Change Agreement which was signed by all parties on the 15 January 2015 and appended to the Cabinet Report on 26 January 2015 was reflected in the Council's 2015/16 Budget. The agreement set out details of the joint partnership approach between the Council and the Trade Unions in relation to budget savings for 2015/16 on the basis that the Trade Unions did not wish any impact on employees terms and conditions. The agreement included the reinstatement of working hours when the existing Workforce Package ceased on 31 March 2015. The £5.75 million planning assumption for budget savings in 2015/16 includes the capitalisation saving of £2.5 million which was for one year only and has been reinstated as part of the 2016/17 budget requirement. The balance of savings are on-going and are reflected in the base budget. The focus of the Agreement in relation to future years is about supporting the reform agenda and new ways of working and a Joint Partnership Board was established to take this forward. A progress report on the Partnership for Change Agreement is included as a separate item on this agenda.

The Medium Term Financial Plan Budget Reduction Requirement

58. The February 2015 Budget Report identified a base and worse case position in respect of the budgetary gap from 2016/17 to 2018/19. The scenario was calculated by flexing key variables over the medium-term with the most significant being the likely level of WG funding. The base case position as at February 2015 is set out in the table below and totals £120.1 million for the three years.

Budget Reduction Requirement (as per February Report)	2016/17 £000	2017/18 £000	2018/19 £000	TOTAL £000
Employee Costs	15,453	7,406	7,306	30,165
Specific Inflationary Pressures	1,045	1,040	880	2,965
Capital Financing	515	1,447	(1,183)	779
Commitments	7,180	443	260	7,883
Demographic Growth	8,183	8,089	7,572	23,844
Financial Pressures (provisional sum)	6,000	6,000	6,000	18,000
Total Pressures	38,376	24,425	20,835	83,636
Anticipated Funding Reduction (3%)	12,723	12,151	11,604	36,478
Budget Reduction Requirement	51,099	36,577	32,439	120,114

59. In relation to demographic growth and financial pressures, figures between 2002 and 2013 show that Cardiff's population grew by 13%, more than London or any of the other core cities. This trend is set to continue with projected growth of 26% between 2013 and 2034 which equates to an additional 91,500 people. Of the £83.6 million of financial pressures over the plan, 30% is attributable to demographic growth. Anticipated growth is in areas where demand for services can be more costly for example increases in the school age and older population.
60. Population growth is widely regarded as an indicator of success. However, this growth will translate into significant demand pressures for some of the Council's key service areas. This is at a time when the level of budget shortfall facing the Council, as outlined in this report, places significant pressure on the financial resilience of the authority. This is particularly the case in respect of increasing financial pressures associated with increases in school places.
61. The plan also includes £6 million per annum to address emerging financial pressures which equates to approximately 1% of net budget. It should be noted that this sum has been included in recognition that it is impossible to foresee all issues and that in reality additional burdens may emerge for example additional legislation, wider policy implications and grant fall out.
62. The MTFP currently contains no additional specific provision in respect of the Council Tax Reduction Scheme. An interim Scheme was implemented from 2013/14 and WG have indicated that it will remain in place in 2016/17.
63. Such is the scale of the pressures associated with the projected growth in demand that the Council must understand how they will affect specific service areas. The Council will therefore undertake work which seeks to provide a more informed view of how population growth and anticipated demand pressure will affect specific aspects of service delivery to assist with budget strategy.

64. As shown earlier in this report in respect of 2016/17, the table below shows the projected distribution of sums both within and outside of directorates over the life of the MTFP. This highlights that 59.5% (£71.5 million) of the budget gap is redistributed to areas outside of directorate spend and is again a particularly high figure due to financial pressures in delegated schools (£29.47 million) and the fall out of the capitalisation direction.

Distribution of MTFP Budget Gap (as per February Report)	2016/17 – 2018/19 £m
WG Funding Reduction	36.47
Fall out of capitalisation	3.48
Financial Pressures to schools (before any cap)	29.47
Financial Pressures to non-directorate areas	2.08
Sub-Total outside directorates	71.50
Financial Pressure recycled to Social Care	15.33
Financial Pressures recycled to other directorates	15.27
Emerging Financial Pressures	18.0
Sub-Total Recycled within directorates	48.6
MTFP Total	120.1

65. Directorates have identified policy pressures in relation to the medium term which are identified below. There is a risk that the financial pressures associated with these policy changes will increase the shortfall between Council expenditure and funding streams still further. Policy pressures identified by directorates include:

- The Social Services and Well Being Act 2014 may have an impact on the Council. The Act will potentially bring about new demand pressures which are not costed into the MTFP.
- Ongoing legal requirements in relation to Deprivation of Liberty Safeguards and the Mental Health Act in excess of previous funding allocations may impact on costs within Health and Social Care.
- The Housing Wales Bill may potentially lead to new pressures on the provision of homelessness prevention services.
- Reductions in grants, for example the WG has announced its intention to review the Social Care Workforce grant.
- The outcome on recycling percentages and waste collection costs as a result of the Council's Waste Strategy.

66. The variable that is likely to have the most significant impact on budgetary gap is future levels of WG Funding. The Budget Gap covers the cost to the Council of:-

- Areas of significant inflationary and demographic pressure
- Central Government policy - i.e. the increases to Employer's National Insurance Contributions that will result from Single Tier Pension changes from 2016/17
- The cost of reinstating the 37 hour week from 1/4/15

- The impact of the increase in Employer's pension contributions to the Teachers' Pension Scheme
- Capital Financing Costs
- Welsh Government funding decreases of potential 3% per annum

Updated 2016/17 Budget Reduction Requirement and Budget Strategy to meet the Requirement

Options to Reduce the 2016/17 Budget Gap

67. As previously stated the Budget Gap figure is dynamic and will change during the year. This will include the impact of both technical reviews and policy decisions, the outcomes of which could amend the figure. For example the Budget Gap of £51.1 million included £6 million for directorate pressures which is a provisional sum and will be updated as a result of emerging legislative or regulatory pressures as well as any impact in respect of the in year monitoring position.
68. The following table sets out the outcome of the work that has been undertaken to date in respect of reducing the Budget Gap for 2016/17. The adjustments may result in a reduction to the Budget Gap of £3.721 million. It should be noted that the remaining amounts in the reduced Budget Gap of £47.378 million will continue to be monitored. There are some areas, such as provisional financial pressures, which may change as the year progresses. The challenge will be to balance financial prudence with budget setting pressures.

2016/17 Budget Reduction Requirement	Gap as at February 15 £000	Adjustments to Date £000	Updated Gap £000	Modelling Update Undertaken
Employee Costs	15,453	(500)	14,953	Updated pay modelling identified amount for release
Specific Inflationary Pressures	1,045	(180)	865	Updated price inflation modelling identified amount available in respect of energy inflation
Capital Financing	515	(515)	0	Reduced to take account of the impact of the level of capital slippage identified in the 2014/15 Outturn Report. This sum has then been added onto the Budget Gap for 2017/18.
Commitments	7,180	(1,526)	5,654	Review of voluntary severance projections against earmarked reserve borrowing. Also updated figures in respect of carbon reduction commitments
Demographic Growth	8,183	0	8,183	Planned review date October.

Financial Pressures (provisional sum)	6,000	(1,000)	5,000	Provisional sum reduced by £1 million. This will be subject to further review aligned with in year budget monitoring
Total Pressures	38,376	(3,721)	34,655	
Anticipated Funding Reduction (3%)	12,723	0	12,723	Planned review date when provisional settlement available
Budget Reduction Requirement	51,099	(3,721)	47,378	

69. Given the lack of clarity currently in respect of indicative funding levels from WG it is recommended that Cabinet delegate to the Corporate Director Resources in consultation with the Cabinet Member for Corporate Services and Performance Management the authority to identify an alternative budget gap requirement subject to further clarification being provided by the WG.
70. Identify target savings from Directorate Budgets and Addressable Spend Base Budgets
71. The Reshaping the Base Budget exercise has informed the targets for directorates using the four savings drivers as detailed in this report. In addition further work on addressable spend has and will continue to feed through into this exercise. The Council's net base budget for 2015/16 is £570.219 million. The Council has considered these budgets to identify a 2016/17 savings base. This analysis has identified a directorate controllable base of £222.963 million, other areas of addressable spend of £311.101 million and non controllable budgets of £36.155 million.
72. It is this distinction between cash and controllable budgets that underlines the seriousness of the financial position facing the Council and this Report recommends that the Leader writes to WG and the WLGA to express his dismay at the scale of WG funding reductions when compared to our ability to make these savings alongside meeting financial pressures from our controllable budgets. This position whilst shared across Wales is exacerbated in Cardiff due to the key impact that the Council plays in economic regeneration and tourism which acts as a catalyst over wider investment and growth across the region.
73. The directorate controllable base of £222.963 million, which equates to 39.1% of the overall budget, has been the traditional focus from which savings have been taken from over a number of years. It should be noted that within this the controllable budget for social care totals £135.2 million or 60.6%. Given the scale of the financial challenge ahead this controllable budget is not large enough to meet the budget gap over this period. In addition these budgets, for example social care, may themselves be the subject of statutory duties and increasing demand. The Reshaping the Base Budget approach as set out earlier has been used where possible to inform budget strategy targets going forward in relation to these budget areas.

74. The other areas of addressable spend budget totals £311.101 million, which equates to 54.56% of the overall budget. Of this £205.609 million is in relation to delegated schools is considered separately in this report. The balance of £105.492 million is set out in the table below. It should be noted that the opportunities to identify savings against these target areas of addressable spend will continue over the coming months. With this in mind the lead Cabinet member and director in each of these areas have been identified as champions to take this work forward. Information in relation to opportunities, milestones and the methodology to extract benefits will continue.

Other Addressable Spend Theme	Value	Potential opportunities for addressable spend savings from base budgets
	£m	
Capital Financing etc including contribution to SOP and Central Enterprise Zone	44.357	No savings from addressable spend in this area have been identified at present. However there may be opportunities in respect of capital financing budgets which will be considered prior to finalising other addressable spend savings.
Externally set – Precepts and levies	17.569	The Report will recommend that relevant bodies who raise precepts and levies be contacted to request that they feed similar funding reductions into their budget strategies.
Office accommodation and land and buildings	12.187	Office accommodation and savings on building costs may be deliverable as part of the proposals in respect of leisure and venues alternative delivery models
Corporate / Financial Resilience including contingency, insurance and audit	13.674	Potential scope has been identified in respect of issue specific contingency budgets and insurance.
Other including severance budget, schools transport, street lighting, pool subsidy and the election budgets	17.705	Sums have been identified as being available for release, particularly in relation to the base budget for voluntary severance. In addition a further change to the voluntary severance scheme as applied from April 2016 may be considered.
Total Other Addressable Spend (excluding delegated schools)	105.492	

75. In conclusion following initial consideration of Other Addressable Spend budgets excluding schools a savings target of £7 million has been identified. The deliverability of this target will be dependent upon proposals being considered and due diligence being undertaken. For example Cabinet's report in respect of voluntary severance on the 27 January agreed that the voluntary severance scheme be the subject of an annual review.

76. There are some areas such as Capital Financing budgets which may present opportunities for further savings as the year progresses and these options will be weighed-up against the risk of unforeseen movements in interest rates.
77. The other element is the non controllable base budget of £36.155 million, which equates to 6.34% of the overall budget. This includes items of spend from which savings cannot presently be identified. The main elements include the Council Tax Support budget of £29.9 million, £2.1 million in relation to retirement costs in schools, £1.9 million in relation to extant commitments to the Local Government Borrowing Initiative (LGBI), £1 million in respect of past service costs, £1.3 million in relation to members' expenses and other miscellaneous budgets.

Savings Targets for 2016/17

78. The Reshaping the Base Budget approach has considered afresh the opportunities for savings in later years. The savings targets identified in the table below in respect of 2016/17 are categorised against the savings drivers set out in this Report. Therefore the scope to achieve savings across the drivers has been informed by the high level exercise which directorates have engaged with based on the principles established as part of the Reshaping the Base Budget approach. However it will be for directorates to come forward with detailed proposals for initial review, challenge and consideration in the Autumn and the shape of these proposals may not match the breakdown of savings drivers identified below.

One Year Budget Strategy – Savings Targets Savings Drivers	2016/17 £000
Policy Led savings	16,355
Business Process Efficiency Led Savings	2,235
Discrete Directorate Led Savings	8,056
Income/Commercialisation Led Savings	3,015
Directorate Savings	29,661
Plus Addressable Spend Base Budget Savings	7,048
Total Savings Identified	36,709
Budget Reduction Requirement	47,378
Shortfall in Budget Reduction Requirement	10,669

79. The next table shows the savings target of £36.709 million against clusters of directorates identified as Place, Communities and Wellbeing and Corporate. The directorates in each of these clusters are set out below. It should be noted that the clusters can generally be aligned with the Council's Target Operating Model as Place activities tend to be delivered as a result of universal provision, Communities and Wellbeing as generally the delivery of targeted savings and generally the Corporate category aligns closely with enabling services:

- Place (Universal) – City Operations and Economic Development

- Communities and Wellbeing (Targeted) – Social Services, Education and, Communities, Housing and Customer Services
- Corporate (Enabling)– Resources, Corporate Management and Governance and Legal Services

Directorate Targets One Year Budget Strategy Savings Drivers	2016/17 Place (Universal) £000	2016/17 Communities and Wellbeing (Gateway) £000	2016/17 Corporate (Enabling) £000	TOTAL £000
Policy Led savings	4,232	11,224	899	16,355
Business Process Efficiency Led Savings	447	1,261	527	2,235
Discrete Directorate Led Savings	3,256	3,790	1,010	8,056
Income/Commercialisation Led Savings	1,715	935	365	3,015
Total Directorate Savings	9,650	17,210	2,801	29,661
Addressable Spend Savings from Base Budgets				7,048
Total Savings				36,709
Budget Reduction Requirement				47,378
Shortfall in Budget Reduction Requirement				10,669

80. Given the unprecedented level of savings required both in 2016/17 and beyond it will be important that the savings proposals identified are robust and deliverable. In particular the risk in respect of the savings target in relation to policy savings drivers for the Communities and Well Being cluster of £11.224 million should be highlighted. Work will be ongoing over the summer months by the relevant directorates to provide savings proposals that can be reviewed against these targets. This work will take place throughout the budget preparation process and will be informed by the emerging in year budget monitoring position in order that:

- There is a shared understanding and ownership of savings at an early stage.
- The risk of duplication of savings is minimised.
- Transparency of all savings to ensure clarity at scrutiny and other consultation forums.

Budget Strategy Planning Assumptions

81. This section sets out the Budget Strategy Planning assumptions in respect of Council Tax increases, schools pressures and a review of the Balance Sheet. Again it should be noted that the use of reserves is a one off source of funding and therefore increases financial pressures in later years.

82. The final table then identifies a scenario against how the shortfall of £10.669 million might be met. The positions taken in respect of these Budget Strategy assumptions are detailed below with further detail provided in the following sections. It should be noted that these are planning assumptions and that the final decisions in respect of balancing the budget will be taken at Council in February 2016 having had due regard to all consultation and engagement activities

Budget Strategy Planning Assumptions:

- Net council tax increase of 4.5%
- Restriction of 40% (£4.030 million) in respect of delegated schools budget increases – note this is over and above the schools protection and demographics figure.
- The potential to achieve £1.5 million from a review of the balance sheet

One Year Budget Strategy Source of shortfall in Budget Reductions Requirement	2016/17 £000
Council Tax Savings based on a 4.5% increase net of Council Tax Reduction Scheme	5,139
Medium Term Financial Plan Adjustments	
Restriction of 40% of schools budget increases – excludes protection and demographics	4,030
Balance Sheet Review	1,500
Potential Scenario to meet the Budget Reduction Requirement	10,669

Council Tax Budget Strategy Planning Assumptions

83. The level of Council Tax for 2016/17 will be addressed as part of the February 2016 Budget Report. However given the need to plan effectively for both 2016/17 and within the MTFP a planning assumption in respect of Council Tax levels has been included when identifying a response to the Budget Reduction Requirement. The planning assumption is that there will be a 4.5% increase in the level of Council Tax in each of the next 3 financial years. This assumption generates additional income for the Council, net of the impact of the Council Tax Reduction Scheme of £5.139 million in 2016/17 and £15.417 million over the life of the MTFP.

84. It should be noted that this planning assumption should be seen as an indication rather than the final proposal of Council Tax levels that the administration will propose as part of the 2016/17 Budget Report. The following table shows the amounts that would be raised in respect of net council tax increases from 2% to 5%. A Council Tax increase of 4.5% has been carried across each year of the MTFP as part of the Budget Strategy Planning assumptions. Council Tax increases in Cardiff over the last five

years show an average increase of 2.47% per annum. This compares to the Welsh average of 3.36% over the same period.

Impact of Percentage Council Tax Increase per financial year net of the impact on the Council Tax Reduction Scheme	Reduction in 2016/17 Budget Gap £M	Reduction in 2016/17 to 2018/19 MTFP Budgetary Shortfall £M
Impact of 2% net Council Tax Increase	2.284	6.989
Impact of 3% net Council Tax Increase	3.425	10.588
Impact of 4% net Council Tax Increase	4.567	14.258
Impact of 4.5% net Council Tax Increase	5.139	16.120
Impact of 5% net Council Tax Increase	5.709	17.999

Schools Budget Strategy Planning Assumption

85. The Budget Reduction Requirement for 2016/17 includes £13.591 million in relation to delegated schools. Of this £10.074 million is in relation to budget increases to cover financial pressures. The WG protection is assumed to be a reduction of no greater £513,000 thus the difference between protection and the amount of inflationary pressures of £9.561 million is £10.074 million. The inflationary pressures of £9.561 million include teachers' superannuation, SERPS, pay awards and redundancies. In addition an amount has been set aside for demographic pressures that schools require in relation to increasing pupil numbers of £4.033 million.
86. The Budget Strategy Planning Assumption for 2016/17 reduces the funding for financial pressures by £4.030 million and results in a restriction of increases in schools delegated budgets of 40% - this excludes protection and demographic growth. It should be noted that this assumption should be seen as an indication rather than a final proposal as this will be taken as part of the 2016/17 Budget Report. The impact of the reduction will not fall proportionately thus the budgetary challenges facing each school within their respective phases will vary. In addition, the interaction with future grant funding is unclear given the uncertainty over grants such as the Education Improvement Grant both in terms of amount and mechanism as well as the amount of Pupil Deprivation Grant allocated to each school which varies as a result of the free schools meal population of each school.
87. Whilst recognising the challenges of this cap, it is the case that other councils have held school budgets to increases at a similar rate to that of protection. It is also the case that there are inherent difficulties in comparing delegated schools budgets between authorities as the responsibilities delegated to individual school budgets varies from one authority to another. Cardiff does have pressures such as free school meals, redundancy and complex needs within delegated school budgets that other authorities do not. The delegated schools' budgets accounts for £205.609 million of the Council's £570.219 million net budget and therefore the reality is that additional sums allocated within the budget gap in respect of schools increases for financial pressures for both next year and across the life of the MTFP will need to be reduced.

Balance Sheet Review Budget Strategy Planning Assumption

88. The Balance Sheet is regularly reviewed and financial resilience issues considered as set out earlier in this report. The conclusion of this review is that there is some limited scope to release sums and therefore a figure of £1.5 million has been identified as a Budget Strategy Planning Assumption. It should be noted that the MTFP assumes that this figure is continued across the three years and therefore £4.5 million will need to be identified in total.

Updated MTFP Budget Reduction Requirement and Budget Strategy to meet the Requirement

MTFP Budget Reduction Requirement

89. The following table updates the MTFP for the changes made to the 2016/17 Budget Gap and the impact on the 2017/18 Gap as a result of this. It demonstrates that alongside the funding reductions from WG the Council services face significant inflationary and demand pressures.

MTFP Scenario	2016/17 MTFP Shortfall £000	2017/18 MTFP Shortfall £000	2018/19 MTFP Shortfall £000	Total MTFP Shortfall £000
Financial Pressures	34,655	24,940	20,835	80,430
Funding Reductions at 3%	12,723	12,151	11,604	36,478
Total Budget Gap	47,378	37,091	32,439	116,908

Savings Targets over the Medium Term Financial Plan

90. Given the level of savings that have been delivered to date and the requirement to deliver significant further savings in the future the challenge to achievability is often the timescale for delivery. It is also the case that directorates need to be given a clear indication of the level of savings not only in the next financial year but also in the medium term.
91. In response to this financial challenge the Council has sought to apply the same savings drivers to the Budget Reduction Requirement over the time horizon within the MTFP. This 3 year planning horizon should also provide the Council with a greater ability to plan albeit the challenges of both identifying and delivering these savings given the limited information available from WG and the uncertainty of future demand pressures within the Council should not be underestimated. It should be noted that when the budget for 2016/17 is set the MTFP will roll forward and therefore the budget reduction requirement in relation to 2019/20 will also need to be calculated.
92. The following table identifies across the current MTFP the total targets for the Council that could feed into the savings drivers. As previously

identified the Reshaping the Base Budget approach has been used to take forward this consideration. The table shows that the Budget Reduction Requirement over the life of the current MTFP totals £116.908 million. Against this total savings of £85.564 million have been identified from both directorates and other addressable spend base budgets. This results in a shortfall of £9.246 million in 2017/18 and £11.429 million in 2018/19 prior to consideration of the Budget Strategy Planning Assumptions.

93. Other Addressable Spend budgets have also been considered for the later years of the current MTFP and a savings target of £4 million has been identified for both 2017/18 and 2018/19. Further details on the delivery of these savings in later years is required and will inform the final position in the February Budget Report.

Budget Strategy Savings Drivers	2016/17 £000	2017/18 £000	2018/19 £000	2016/17 – 2018/19 £000
Policy Led savings	16,355	16,169	11,363	43,887
Business Process Efficiency Led savings	2,235	2,085	3,733	8,053
Discrete Directorate Savings	8,056	4,391	714	13,161
Income/commercialisation led savings	3,015	1,200	1,200	5,415
Directorate Savings	29,661	23,845	17,010	70,516
Plus Other Addressable Spend Savings from Base Budgets	7,048	4,000	4,000	15,048
Total Savings to be Identified	36,709	27,845	21,010	85,564
Budget Reduction Requirement	47,378	37,091	32,439	116,908
Shortfall in Budget Reduction Requirement	10,669	9,246	11,429	31,344

94. The next table shows the 2017/18 savings target of £27.845 million against the same clusters of directorates identified for 2016/17 as Place, Communities and Wellbeing and Corporate.

Directorate Targets 2017/18 Budget Strategy Savings Drivers	2017/18 Place (Universal) £000	2017/18 Communities and Wellbeing (Enabling) £000	2017/18 Corporate (Gateway) £000	TOTAL £000
Policy Led savings	2,651	12,883	635	16,169
Business Process Efficiency Led Savings	505	960	620	2,085
Discrete Directorate Savings	720	3,057	614	4,391
Income/commercialisation savings	411	633	156	1,200
Total Directorate Savings	4,287	17,533	2,025	23,845
Addressable spend savings from Base Budgets				4,000
Total Savings				27,845
Budget Reduction Requirement				37,091
Shortfall in Budget Reduction Requirement				9,246

95. The next table shows the 2018/19 savings target of £21.010 million against the same clusters of directorates identified for 2016/17 as Place, Communities and Wellbeing and Corporate.

Directorate Targets 2018/19 Budget Strategy Savings Drivers	2018/19 Place (Universal) £000	2018/19 Communities and Wellbeing (Enabling) £000	2018/19 Corporate (Gateway) £000	TOTAL £000
Policy Led savings	429	10,055	879	11,363
Business Process Efficiency Led Savings	1,118	1,777	838	3,733
Discrete Directorate Savings	89	491	134	714
Income/commercialisation savings	423	466	311	1,200
Total Directorate Savings	2,059	12,789	2,162	17,010
Addressable spend savings from Base Budgets				4,000
Total Savings				21,010
Budget Reduction Requirement				32,439
Shortfall in Budget Reduction Requirement				11,429

96. The final table then identifies a scenario across the current MTFP against how this shortfall of £31.344 million might be met from Budget Strategy Planning Assumptions. These assumptions are detailed below:

- Net council tax increases of 4.5% each year for 3 years
- A restriction of 40% in respect of delegated schools budget increases over a 3 year period – note this is over and above the schools protection and demographics figure
- The potential to achieve £1.5 million a year for 3 years from a review of the balance sheet – (subject to updating the Balance Sheet Review).

97. It is undoubtedly the case that the savings targets across the 3 years are challenging and that the scale of this challenge increases materially in the later years. Given this challenge and the remaining shortfall as set out in the table below it may be the case that these Budget Strategy Planning Assumptions will need to be revisited and/or alternative policy choices which deliver savings identified.

Budget Strategy Source of shortfall in Budget Reductions Requirement	2016/17 £000	2017/18 £000	2018/19 £000	2016/17 to 2018/19 £000
Council Tax Savings based on a 4.5% increase net of Council Tax Reduction Scheme	5,139	5,370	5,611	16,120
Medium Term Financial Plan Adjustments				
Restriction of 40% of schools budget increases – excludes protection and demographics	4,030	2,093	2,053	8,176
Balance Sheet Review	1,500	*	*	1,500
Total Budget Strategy Planning Assumptions	10,669	7,463	7,664	25,796
Initial Shortfall in Budget Requirement	10,669	9,246	11,429	31,344
Remaining Shortfall	0	1,783	3,764	5,547

* The 2016/17 Budget includes £1.5 million as a result of the Balance Sheet Review. This sum also needs to be identified in both 2017/18 and 2018/19 giving a total of £4.5 million otherwise the Budget Reduction Gap in these later years would need to increase.

98. The extent of the financial challenge in a continued period of restraint will result in savings targets for controllable budgets which will be hugely challenging particularly given their cumulative impact. The severity of the financial task ahead is such that it will result in significant changes to how local government services are delivered. A commercial ethos is required that will enable the authority to respond speedily to market shifts and financial opportunities, whilst maintaining a hold on risk, however the Council will have to be realistic with its ambitions for commercialism. Given these increasing concerns it is important that the Council retains sufficient central support capacity to manage these risks and manage the transition to a lower financially sustainable cost base.
99. The shortfall identified in the later years of £5.547 million of the current MTFP serve to demonstrate the significant financial challenge ahead. This is particularly the case in respect of the policy savings targets for Communities and Wellbeing of £34.162 million over the MTFP given the difficulty of delivering savings against a backdrop of complex and increasing demand in respect of the delivery of social care services. In addition the savings targets for all years but in particular 2017/18 and 2018/19 include an element of stretched targets in respect of business process efficiencies and income/commercialisation targets against which further detail must now be provided by directors. The same request for further detail also applies in respect of champions responsible for delivering the Other Addressable Spend targets. The ability of the

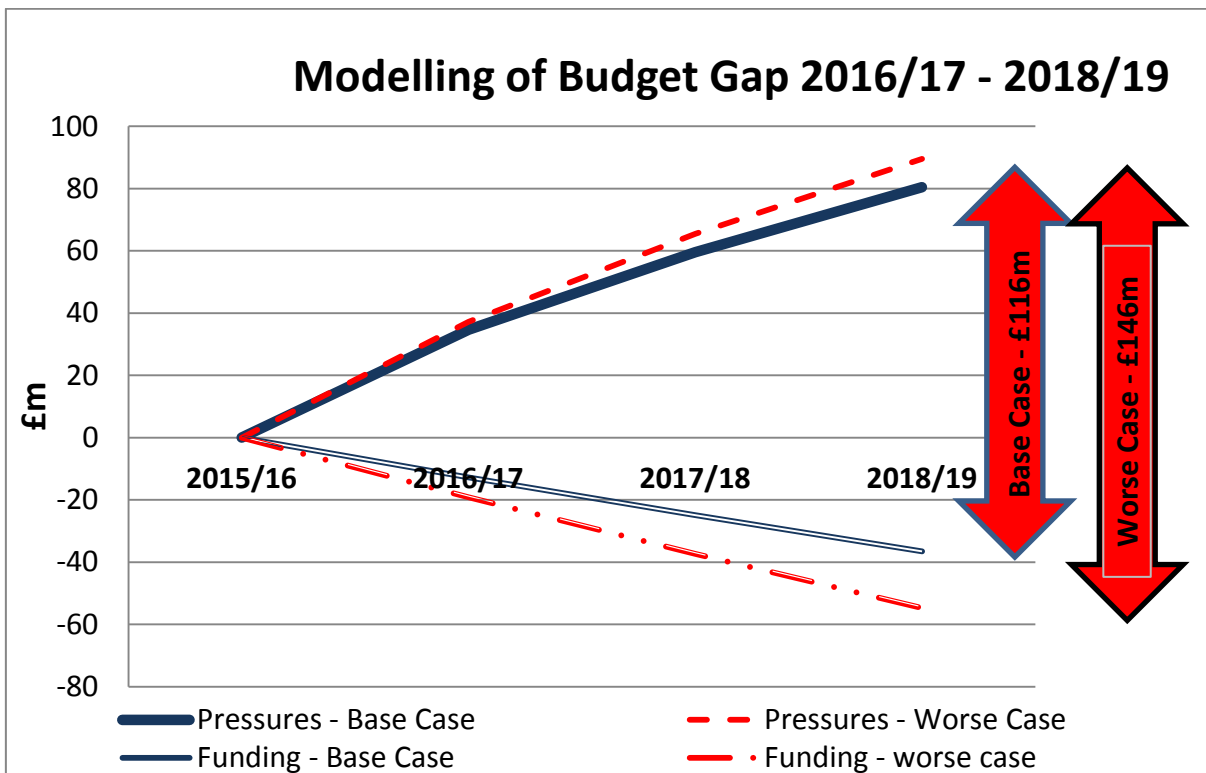
Organisational Development Programme to support the Council through this period of radical and sustained change will be key.

100. The work that is underway in respect of service delivery will help to support the savings targets however as identified elsewhere the pace and scale of change must be sufficient to meet the financial challenges ahead.

101. The financial implications to this Report provide further commentary in respect of the shortfall in the current MTFP and the difficulty of achieving a balanced budget in later years. Whilst a coherent approach has been adopted achieving a balanced budget beyond 2016/17 will require radical policies and strategies being adopted by the Council in relation to the delivery of services. Decisions will need to be taken in advance of the budget dates due to associated lead in times to deliver these savings.

Medium Term Financial Plan Scenario Analysis

102. The base case scenario was underpinned by a year on year Aggregate External Finance (AEF) reduction of 3% over the next three years. A sensitivity analysis has been undertaken around some of the key variables of the plan to consider a more pessimistic scenario. Under this scenario the following variables were flexed to identify a worse case scenario:-



- The difference between a 1% and 2% pay award
- The difference between 3% WG funding reduction and a 4.5% funding reduction

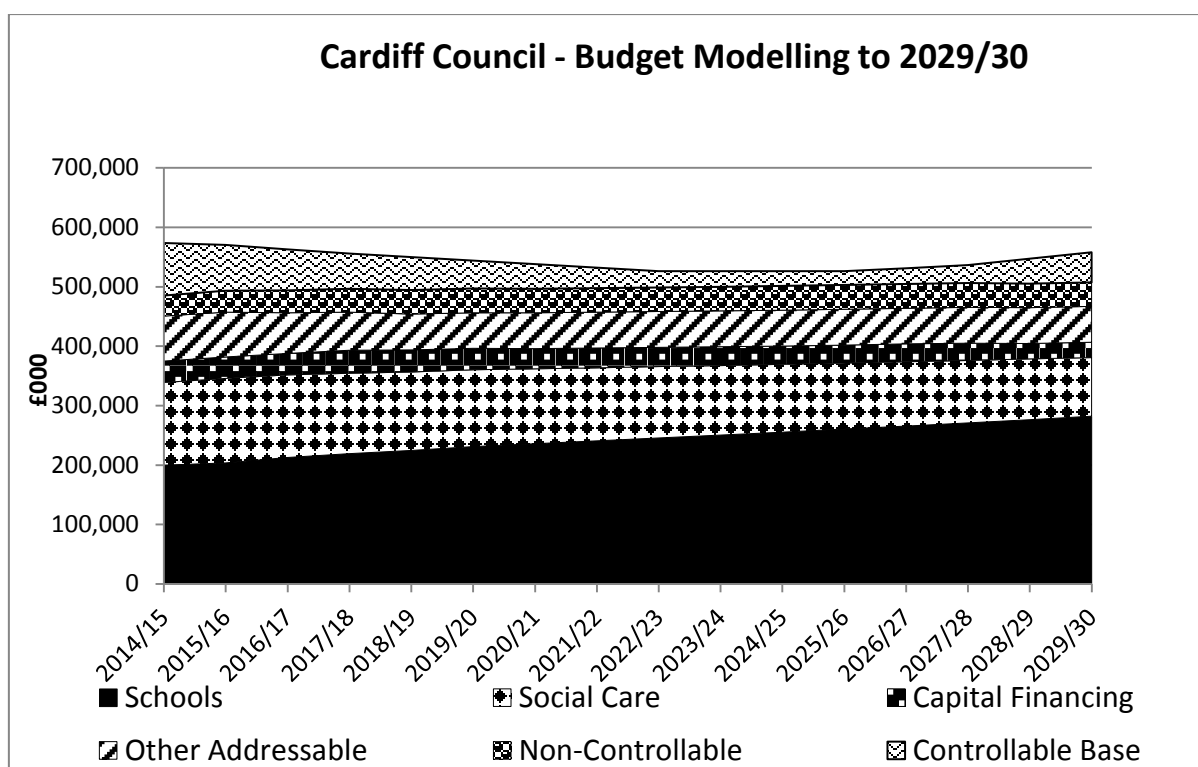
The table below summarises these base and worse case scenario.

MTFP Scenario	2016/17 MTFP Shortfall £000	2017/18 MTFP Shortfall £000	2018/19 MTFP Shortfall £000	Total MTFP Shortfall £000
Base Case	47,378	37,091,	32,439	116,908
Worse Case	56,396	47,140	42,166	145,702

103. A 1% fluctuation in AEF for Cardiff equates to £4.2 million. Clearly therefore, each additional decrease of 1% over a multi-year period has significant implications for the budgetary gap facing the Council. However, whilst funding is the most significant unknown variable, it is not the only one, the overall savings requirement is the result of escalating cost pressure on one hand compounded by funding reductions on the other.

Future Years Outlook

104. The chart below illustrates the likely impact on the different components of the Council’s budget moving beyond the life of the current MTFP. Clearly it is very difficult to predict this far into the future given the inherent uncertainty in key areas. The graph therefore projects the overall likely envelope of funding and analyses the resultant budget if recent trends and current policies are continued over the life of the plan.



105. Notwithstanding the difficulty and uncertainty of predicting this far forward, the severity of the financial climate in Welsh Local Government has now reached a position where it will no longer be feasible to focus on a three year forward period without considering the likely impacts beyond that timeframe. This is because the cumulative impact of decisions taken now can have a significant impact on the shape of the Council's budget in later years and it may be that current policies are considered unaffordable when viewed over an extended time-frame.
106. The WLGA Funding Outlook paper to the 9 July echoed similar concerns highlighting a "yawning gap that results in a cumulative budget shortfall of £941 million by 2019/20. This assumed that current policies remain unchanged."
107. Moving forward, the Council will need to extend the period over which it considers financial planning scenarios. This work will take place alongside the development of the 2016/17 Budget and key areas for consideration will continue to include, future council tax increases, the level of growth afforded to schools, the affordability of the Capital Programme and strategy for social care budgets.

Consultation and Engagement

Consultation

108. The proposed Budget Timetable Framework for 2016/17 is included at Appendix 1 and refers to the involvement and consultation that will take place through the period in respect of Council Tax Payers, the third sector, the Budget Forum, Scrutiny Committees, Trade Unions, and statutory consultation with schools. As part of building on the Council's successes to become Europe's most livable capital city it is the intention of Cabinet to create a great place to work, to visit, to study and do business; a place where people love to live; and a City of opportunity for everyone, regardless of background. The following paragraphs in relation to the Cardiff Debate identify how the Council has and continues to consult to ensure that public services are delivered and the City developed in ways that put the needs of the people of Cardiff first.

The Cardiff Debate

109. The 2015/16 Budget was based on a programme of extensive engagement with stakeholders and citizens as part of the Cardiff Debate. The activity undertaken was part of a 3 year commitment to work with residents, communities and partners in developing an effective dialogue across the city about priorities and the delivery of public services in the future.
110. The approaches to this engagement included a series of 37 'on street' public events in the Summer of 2014 including attendance at community festivals, community venues and locations such as supermarkets. Members of the public were invited to join the Cardiff Debate by voting for

three services provided either by the Council or its partners and to leave their views on:

- What services matter most to you and your family and why?
- Cardiff is a growing city but has less money to spend on services.
- How can we do things differently to save money in the future?
- How can you/the community get more involved in making this happen?

111. Overall 3000 'postcards' were completed by the public along with 6,600 votes for services which mattered most. Work was also undertaken in relation to social media through the development of a new website and community vox-pops.

112. During November 2014 - January 2015, a specific consultation was undertaken on the Council's budget proposals and which was the largest consultation carried out on the budget to date. The consultation included:

- 4,191 completed questionnaires
- 28,925 separate comments
- 766 items of correspondence
- 17 petitions with over 20,000 signatories
- Over 500 attendees at events
- 91,418 page views of the budget proposals on the Council's website
- 2,605 plays of the budget challenges video

113. A full copy of the findings of the consultation can be found at www.cardiff.gov.uk/budget

114. Dialogue with the public has continued following the agreement of the budget in February 2015 and views on services changes such as waste management, new community hubs and Adult Community Learning have been collated. A further annual Ask Cardiff Survey will be published in July 2015 which will ask for feedback in relation to services such as transport, leisure, community safety and future public service delivery.

115. Further consultation on the detailed budget proposals will commence in November and will continue to encourage community participation in the ongoing budget decisions.

Employee Engagement

116. Building on last year's successful Summer Roadshows, a further 8 Employee Roadshows were held throughout November and December 2014 with the primary focus of engaging with frontline employees. The Ambassador network continues to grow with over 130 employees at all levels from across the Council helping to take forward the Employee Engagement agenda. Ambassador workshops were held each quarter to take forward key areas of work under the Roadshow Action Plan. Ambassadors engaged with colleagues across the Council to identify improvements in how we communicate and engage with employees. Task

and Finish groups were established looking at Procurement, Communication & Engagement and the development of SharePoint as a way to share information.

117. Employee feedback on Communication and Engagement has been used to inform the development of the Council's Internal Communication & Engagement Strategy and the Programme of Engagement for 2015/2016. In addition 'Have Your Say' sessions have been introduced as a response to employees preference for face to face communication. Employee feedback has helped to shape key pieces of work including e.g. Council Values and the Employee Charter . These are two fundamental pieces of work required to build a strong foundation for cultural change.
118. To support the embedding of the Cardiff Standard for senior managers, managers and employees the Employee Charter has been incorporated into the Council's Performance Management through a cascaded behavioural objective for all employees. The Employee Survey was launched in May and this will afford us a further opportunity to understand where effort needs to be focused going forward. The Council's Workforce Strategy (which included the Employee Charter) was approved by Cabinet in April (to enable the organisation to create a culture that supports and enables a flexible, skilled, engaged and diverse workforce.) The Cardiff Manager Programme forms a key part of the change programme and a Cardiff Manager Forum has been established by the Chief Executive. This means that the Council now has three established forums to engage directly and work with – Employees (Ambassadors), Managers (Cardiff Manager Forum) and Senior Managers (Senior Manager Forum) to support the delivery of the Organisational Development Plan and the Corporate Plan.

Capital Programme

119. As WG capital funding to local authorities has reduced, the Council, in common with other local authorities, has had to find a greater share of its capital funding requirement. This has led to increasing levels of unsupported borrowing being undertaken with local authorities having to ensure that any borrowing is affordable, prudent and sustainable, not only now, but in the long term.
120. In 2015/16 the Council will receive £13.5 million in grant and supported borrowing approval from the WG in order to determine its own spending priorities for capital items. This is a 35% decrease compared with 2010/11 and the lowest in Wales per capita. This level of support provided by the WG is barely sufficient to meet current annual capital expenditure commitments such as disabled adaptations, highways, transport, property assets renewal etc. These have generally remained at previous levels and any additional expenditure can only come from borrowing.
121. Capital Expenditure pressures include:

- Ensuring a sustainable property asset base and that property is fit to deliver service improvements, by addressing the maintenance backlog, disabled access and health and safety requirements.
- Meeting the aspirations of directorates to invest in existing assets or create new capital assets in order to improve service delivery and meet pressures of increasing demand.
- The need to maintain the highway and associated infrastructure such as roads, traffic signals, bridges, street lighting and address the backlog of repairs to avoid higher costs in future.
- Meeting the economic development, employment and capital city aspirations of Cardiff and the region.
- Requirements for capital investment to meet savings targets, to displace expenditure previously funded from revenue budgets, to reshape the way services are delivered and to meet the costs of organisational development.

122. It needs to be recognised that we cannot do everything and may need to focus limited resources on key statutory and longer term strategic priorities.

123. At 31 May 2015, the Council as a whole has £658 million of external borrowing. The Capital Programme has remained expansionary whilst revenue budgets have reduced. Based on the Capital Programme set for 2015/16 onwards in February 2015, the programme continues this trend.

124. Between 2015/16 and 2019/20, £34.2 million of additional borrowing was approved to balance the General Fund Capital Programme for existing commitments and for new schemes approved in 2015/16 over the five year period. This is in addition to £82.7 million borrowing proposed for Invest to Save Schemes, such as 21st Century Schools Investment, deemed to pay for themselves over a period of time.

125. By continuing to increase the amount it needs to borrow, this will have a consequential increase on the capital financing budget within the revenue account. In general terms, each £1 million of capital expenditure funded by borrowing, costs £80,000 in the initial years of the revenue budget and that is assuming an excessive asset life of 25 years.

126. It is accepted that the Council needs to borrow to both meet the objectives of the Corporate Plan and invest in schemes that generate a return for the Council and citizens. However in the medium term the Council must decide, following the consideration of advice from the Section 151 Officer:-

- the threshold of affordability for additional Council borrowing
- the key strategic city priorities only for which investment to be funded by additional borrowing is to be approved.

127. The impact of capital financing costs are recognised in the Council's MTFP. The budget report for 2015/16 included a local capital financing prudential indicator highlighting the proportion of the Council's controllable revenue budget that it spends on capital financing over the medium term.

Ratio of Capital Financing Costs expressed as percentage of Controllable Budget								
	2011/12 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	Difference 11/12-19/20 %
Net	13.47	15.67	16.65	18.41	20.63	21.95	22.61	67.85
Gross	15.17	18.76	20.77	22.94	26.56	28.83	29.54	94.73

128. In accordance with the principles of invest to save, the net ratio assumes that any costs of undertaking additional investment are recovered over time from directorate budgets, capital receipts or other budgets. The gross ratio indicates the gross capital financing cost as a percentage of the total base budget i.e. it represents a worse case scenario.

129. As the Council's revenue budget falls and expenditure funded by borrowing rises, capital financing costs as a percentage of controllable budget which are committed in the long term are increasing. This clearly limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of its revenue resources.

130. As the Council realigns itself strategically to lower funding levels it will need to consider the level of debt and potential financial resilience issues that may be a consequence of increasing borrowing.

131. In formulating the Capital Programme and investment strategy for 2016/17 and the medium term, proposals for new investment and indicative commitments in latter years will need to be considered carefully to determine whether they should proceed. Such a process will need to consider whether the investment:-

- delivers statutory and core strategic long term outcomes included in the Corporate plan (Strategic Economic Development, Education)
- needs to be made by the Council or whether it can be best made by others
- is in accordance with property or other asset management plans
- proposed by scheme sponsors has a robust and deliverable profile of expenditure for schemes in order to avoid the need for slippage when setting the programme. This also needs to take into account their ability to deliver schemes, particularly where staffing, external partners or other resources are essential in supporting scheme delivery.

132. There are also capital expenditure implications of major projects either being or planned to be undertaken by the Council that need to be developed as part of the longer term budget strategy process rather than on an ad hoc basis. This is so a longer term investment strategy can be developed to determine whether everything that we would like to do is affordable by the Council doing it itself and whether alternative means need to be considered. Examples include securing the City Deal, continuing development of Cardiff International Sports Village, Cardiff Enterprise Zone development and New County Hall.

133. Whilst the Council can and has used the benefits of the prudential code to invest and increase the level of borrowing to meet objectives, it has to be mindful that there is not yet a cap in place by Central Government. We have encouraged invest to save schemes such as energy generation as well as invest to save schemes in respect of the ADM in leisure and there are other opportunities currently being considered. Whilst such schemes are important to revenue income opportunities, they do carry a significant level of risk in terms of over exposure to borrowing to future uncertain events. The budget strategy accordingly may wish to consider a maximum limit to exposure of borrowing for 'Discretionary' type services/ activities on such invest to save type schemes.

134. As set out by the Section151 Officer in the budget proposals for 2015/16:

“further action is required to accelerate a reduction in the Council’s asset base within a limited timeframe. Unless assurance of progress in this regard can be demonstrated in 2015/16 the affordability of the existing Capital Programme will need to be reviewed. Decisions made on asset divestment will need to consider the yield generated by Council held assets and the impact on the revenue budget of realising these disposals. Within this financial climate of reducing revenue resources all action necessary must be taken to reduce both initial capital expenditure and the subsequent need to borrow.”

135. It is clear that increasing exposure to additional levels of borrowing in the General Fund are not consistent with the significant levels of savings required to be found and the increasingly bleak MTFP revenue position highlighted in this strategy report. Whilst this inconsistency remains the case, any prudent provision for debt repayment currently made in line with policy approved by Council also cannot be released as there are likely to be adverse comments from WAO and this approach in itself would be inconsistent with increasing levels of borrowing.

136. The ongoing difficulty of affording the current level of borrowing is such that the programme itself will need to be reduced and only self funding schemes brought forward. As highlighted previously the Council must consider as a matter of urgency how it can reduce its asset base to achieve both capital receipts to reduce borrowing and revenue savings in relation to facilities management costs including repairs and maintenance.

137. Capital receipts are important to increase the affordability of the Capital Programme. In 2015/16 the first call on capital receipts up to £1 million will be to pay for Capital programme commitments, with the balance to be used towards meeting the costs of a capitalisation direction, hence these are not available to support capital expenditure. In many cases, capital receipts are earmarked for re-investment e.g. 21st Century Schools Model, Cardiff Enterprise Zone etc. However where this is not the case it is essential to remember that Capital receipts are a Corporate Resource and help to pay for capital investment across Council Directorates.

138. Whilst it is recognised as important to provide new opportunities for investment, it is recommended that any additional proposals for investment are submitted only if they meet the criteria above and are matched by a capital receipt from the disposal of Council assets. Directors will over the summer submit any new schemes meeting this criteria for review as part of project appraisal process.

Housing Revenue Account

139. In February 2016 the Budget Report will also set rent levels for Housing Revenue Account properties, service charges and management leaseholders for 2016/17. These levels will be set in accordance with the Council's rent policy which will be consulted upon.

140. In 2015/16 the Council made a settlement payment of £187 million to the Treasury to exit the Housing Finance Subsidy System. The exit has brought with it a number of benefits in relation to self financing but also increased risk. The settlement payment significantly increased the level of Council's debt. Whilst the agreement is a benefit of circa £3 million to the HRA, it is essential that this benefit is maintained on an ongoing basis to re-invest in stock.

141. The self financing introduced a cap to HRA debt which will need to be adhered to. WG have indicated that a breach of the cap could lead to penalties being incurred by the Council.

142. It is important to note that despite the change, the HRA remains a ringfenced account. Expenditure incurred must be deemed to be to the benefit of the rent payer in accordance with WG Guidelines

143. Expenditure areas such as maintenance has experienced additional costs during 2014/15, so assurance is need to ensure that income and expenditure is benchmarked and reviewed regularly to ensure that services provided to rent payers remain efficient and effective as it is envisaged this will continue to be reviewed by WG.

144. Cabinet will receive an HRA business plan later in the year. At present the Capital Programme should be in accordance with amounts and schemes included and approved in the HRA business plan approved in December 2014.

Future Developments

145. In June the Minister for Local Government announced his plan for the future of local councils, reducing them from 22 to 8 or 9. Under these proposals the Council would merge with the Vale of Glamorgan Council. Views were invited on these proposals with a draft "Mergers and Reform" Bill to be published in the Autumn. The Minister's view is that the case for local government reform is compelling and that the opportunity to reform and reshape councils will drive funding into improving frontline services.

146. Whilst recognising that there are economies of scale in reducing the number of councils the case for the Council is less clear given current size.

The recently completed WG Administration Review which recommended an optimum sizing and rationalisation of core functions contained a number of inherent weaknesses in its methodology. However the correlation between size and efficiency was demonstrated across a number of the Council's corporate and enabling functions. The Council will continue to drive forward improvements to its central services with the action plans associated with the recommendations of the service reviews acting as the driver for this work.

147. The reality for Local Government as set out by the WLGA is that given the current scale of funding reductions and financial pressures these future developments will be overtaken by the impact on local service delivery. The WLGA Leader Councillor Wellington recently stated that "I fear that by 2020 the potential gains associated with restructuring will have gone. We will be merging empty shells."
148. Across the City Region work to progress the development of a City Deal continues. The Leaders have agreed to bring together a team of officers drawn from across all participating authorities to drive forward the development of a City Deal proposal and to begin the process to appoint specialist support so that a strong and robust proposal can be presented to the UK Government. The Local Authorities are committed to working to develop, in partnership with the WG, a deal which will deliver real change to South East Wales. A City Deal will provide additional funds for Wales to use to invest in its growing economy, creating jobs and opportunities and increasing productivity across the city-region. The challenge, given the financial position all councils face, will be the ability to deliver a City Deal which provides demonstrable progress against its planned outcomes whilst minimising to an acceptable level the financial exposure for councils

Reasons for Recommendations

149. To seek Cabinet approval for the budget strategy in respect of 2016/17 and the MTFP. This includes consideration of the worsening financial position and savings targets for each directorate rather than a standard percentage of savings across all.
150. To note the Budget Timetable Framework and forward this to Council for approval.

Legal implications

151. It is the responsibility of the Cabinet to receive financial forecasts and develop a medium term financial strategy with a view to proposing a Budget for the Council to approve. The report highlights the seriousness of the financial challenges ahead. As stated in the body of the report, it is important that members take note of the statements made by the Section 151 Officer in this regard.
152. There are no general legal issues arising from this report. Specific legal issues will be addressed as part of the proposed budget preparation.

153. The report provides that the proposed Budget Timetable framework for 2016/17 will make provision for consultation. It is important to note consultation raises the legitimate expectation that any feedback received from the consultation will be taken into account in developing the proposals consulted upon.
154. In considering this matter and developing the budget proposals regard must be had to the Council's duties under the Equality Act 2010 and appropriate steps taken to ensure that, (i) the Council meets the requirements of the Public Sector Equality Duties; and (ii) due regard has been/is taken of the likely impact of the decision in terms of equality and discrimination.

Financial Implications

155. In the financial implications of the 2015/16 Budget Report I referred to the materiality of the service choices ahead of the Council and in particular, that anything other than a radical reduction and reset of the Council's services will over the life of the MTFP term lead to financial resilience issues for the Council. Members were tasked with considering whether the choices made to date and planned for the future were commensurate with the scale of the financial challenge over the medium term. These difficult choices are facing all councils as summarised in the WLGA Funding Outlook paper to the Finance Sub Group which is identified as background paper.
156. The development of a deliverable Budget Strategy is a key document in reaching a balanced budget. As part the development of the Budget Strategy and in response to this challenge the Council's Reshaping the Base Budget approach has allowed for a more open discussion on the need to reset the Council's budgets and the impact of doing so. This work has allowed a Budget Strategy to be considered and developed which if deliverable will allow the setting of a balanced budget. However it is not without significant risks, in particular the target savings in respect of Communities and Well Being against a backdrop of increasing demands for the delivery of social services is of concern.
157. In addition significant work is underway in respect of service delivery choices particularly in respect of leisure, cultural venues and infrastructure services. As these proposals impact on the potential to achieve savings proposals across the life of the medium term I will monitor the positions reached and report accordingly on the financial scope and timescale attached in the financial implications to these reports. A key risk remains until this work is completed that our alternative delivery models may not achieve financial savings quickly enough or be of sufficient magnitude to meet the target savings identified in these areas across the life of the MTFP.
158. As members are aware, as Section 151 Officer I am responsible for advising members if the Council risks setting an unbalanced budget. At present I am content that a coherent Budget Strategy has been prepared in relation to 2016/17 but my concern is in respect of bringing forward

robust savings proposals against these targets against which due diligence can be undertaken.

159. Directors will now work with Cabinet members over the summer to develop detailed proposals for consideration for both 2016/17 and the medium term. Across the life of the MTFP this work will need to continue to identify how soon minimum levels of statutory service or nil subsidy levels for discretionary services could be reached. My review of the information provided will be key in considering the emerging risk position in relation to setting a balanced budget for 2016/17 and across the medium term.
160. In addition in relation to the Capital Programme the ongoing difficulty of affording the current level of borrowing is such that the programme itself will need to be reduced and only self funding schemes brought forward. As highlighted previously the Council must consider as a matter of urgency how it can reduce its asset base to achieve both capital receipts to reduce borrowing and revenue savings in relation to facilities management costs including repairs and maintenance.
161. The updated Budget Strategy for 2017/18 and 2018/19 identifies shortfalls of £1.783 million and £3.764 million respectively. It should be noted that this is after assuming savings targets in respect of Communities and Wellbeing of £17.533 million in 2017/18 and £12.789 million in 2018/19 which will prove extremely challenging against a backdrop of increasing demand and associated financial pressures in these areas. Therefore whilst I am content that across the MTFP a coherent approach has been adopted further consideration of this approach which may require further consideration of budget strategy planning assumptions and policy choices may be required.
162. In summary achieving a balanced budget in 2016/17 will be extremely challenging. Beyond that date and particularly in relation to 2018/19 there is real potential for the Council to be unable to achieve a balanced budget unless radical policies and strategies are adopted by the Council in relation to the delivery of services. Decisions will need to be taken in advance of the budget dates due to associated lead in times to deliver these savings.
163. As stated in the report a 3% funding reduction in relation to 2016/17 would result in a budget gap of £47.378 million. It should be noted that at a 4.5% funding reduction would increase the gap to £53.740 million. In response to this uncertainty it is recommended that the Council's Corporate Director Resources in consultation with the Cabinet Member for Corporate Services and Performance be delegated authority to identify an alternative figure when further clarity is obtained.
164. Variable savings targets against controllable budgets across directorates have been identified, as well as other addressable spend targets, for both 2016/17 and across the medium term. These targets serve to illustrate that the task to balance these budgets is unprecedented and radical changes will be required to ensure that a balanced budget can be achieved. This is

in addition to the significant budget reductions the Council has made over a number of years as shown in the following table:

Budget Savings

Year	£M
2015/16	32.47
2014/15	48.7
2013/14	22.4
2012/13	14.4
2011/12	22.0
2010/11	14.0
2009/10	8.7

165. In proposing savings or pressures for 2016/17, directors will undertake a formal risk assessment exercise in order that members are aware of any likely consequences when considering options. In accordance with the Equality Impact Assessment duty, they will also consider their proposals in this context through working with the Council's Equalities Officer. Directors will also need to consult with Trade Unions particularly where proposals impact on employees. In addition the Report identifies that further discussions will be required with Trade Unions in respect of the budget strategy and voluntary severance scheme and the Council will again seek expressions of interest from staff in relation to the voluntary severance scheme.
166. In this challenging financial environment it is vital that savings proposals are robust and that significant changes to business processes do not impact on the financial control environment in a negative manner. In addition to the formal risk assessment process the Budget Report will need to consider the increasing level of risk attached to budget savings proposals and what mitigations it is able to put in place in respect of this.
167. The report also sets out the continuing bleak picture of the quantum capital resources in the medium term and confirms that there is little opportunity for new schemes unless they can be seen to be self financing. The scarcity of resources adds to the pressure to ensure that the activity profile behind any funding approved is accurate and slippage minimised.
168. Following the increasing level of planned unsupported borrowing as part of the Capital Programme the Corporate Director Resources developed local affordability indicators. The indicators within the Budget Report showed the capital financing costs of the Council as a percentage of its controllable budget and excluded investment income. The figures included in the 2015/16 Budget Report were as follows:-

Capital Financing Costs as percentage of Controllable Budget								
	2011/12 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	Difference 11/12-19/20 %
Net	13.47	15.67	16.65	18.41	20.63	21.95	22.61	67.85
Gross	15.17	18.76	22.77	22.94	26.56	28.83	29.54	94.73

169. An increasing ratio indicates that a greater percentage of the budget that is controllable is required for capital financing costs which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. This clearly limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of its revenue resources. The Budget Strategy report has identified that these local affordability indicators will increase as the Council's controllable base budget against which to make savings reduces. Given this increasing pressure a review of all schemes included within the Capital Programme will be required as part of the Budget Setting process.
170. In setting the Council's budget strategy for 2016/17 it is acknowledged that the budget setting process must be flexible enough to react to both unknown and anticipated but not fully quantified financial risks and challenges. When setting the budget for 2016/17 the Council will consider the level and sufficiency of both general and earmarked reserves. The Council will risk assess its need to hold reserves, which may be needed for sudden, unexpected spending pressures. These risks become greater in the current financial climate.

HR Implications

171. The report outlines the continuing and sustained financial restraints that the Council is under including the Government's spending policy assumptions which suggest a sharp acceleration in pace of implied real cuts to day to day spending on public services. The Council's OD Programme remains the driver for reviewing the shape and scope of the organisation and the way in which services are delivered and efficiencies achieved. Any new service delivery models to be established will need to meet demand pressures and reflect budgetary realities alongside securing further efficiency savings through better collaboration, integration of service delivery and reducing duplication of effort and resources.
172. In addition to previous savings drivers of policy led savings, business process led corporate efficiency savings and discrete directorate led savings, a further driver of income/commercialisation savings has been introduced (i.e. increase discretionary income and exploit new opportunities to sell or trade services).
173. A number of budgetary risks have been identified in the report including the need to deliver budgeted savings from reshaping services and other proposals that are not currently fully defined and the need to make tangible progress on the Partnership for Change agenda , agreed as part of the 2015/16 Budget. The £5.75m planning assumptions included a range of ways in which this would be achieved without any impact on employee terms & conditions.
174. Given the unprecedented level of savings required in 2016/17 and beyond, it will be key that the savings proposals identified are robust and deliverable. The extent of financial challenge in a continued period of restraint will result in savings targets for controllable budgets which will be

considerably challenging and will result in significant changes to how local government services are delivered. The ability of the OD Programme to support the Council through this period of radical and sustained change will be key.

175. Whilst it is not possible to provide specific HR implications on alternative service delivery models at this stage (as this will depend on the operating model that is ultimately adopted by the Council) , the ongoing budget difficulties will continue to have significant people implications associated with actions necessary to manage the financial pressures facing the Council . As service delivery proposals are developed, there will need to be consultation with employees (those directly and indirectly impacted) and the Trade Unions so that they are fully aware of the proposals, have the opportunity to respond to them and understand the impact that the new model of service will have on them. Further and specific HR implications will be provided when the relevant models are confirmed. Any reductions in resource levels will be managed in accordance with the Council's recognised policies for restructuring which include, where appropriate, redeployment and voluntary redundancy.
176. The Council's Voluntary Redundancy Scheme, last reviewed in January 2015, has been available from 3 April 2015 and widely publicised to staff. Whilst those interested in leaving on this basis (with a post subsequently deleted), should express an interest to do so, a business case to support the exit will still need to be made and signed off. Flexible retirement continues to be another option available and a Sabbatical policy is in place as well as ability to request voluntary reductions in working hours. Redeployment, access to Cardiff Academy courses and access to the Trade Union Learning Representatives to support Members and non members with training and development to support new skill requirements will remain available. Additionally as part of the budget process for 2015/16, from 1 April 2015 a new Purchase of Additional Annual Leave became available which has provided the opportunity for staff (excluding those based in schools) to buy up to an additional 10 days annual leave.
177. Formed as part of the Partnership for Change Agreement, the Joint Partnership Board will continue to meet fortnightly to facilitate early discussion with Trade Unions on key organisational proposals, with more detailed discussion continuing with staff and trade unions at local service area level. It will be essential that there continues to be appropriate consultation on proposals which are taken forward by the Cabinet. Many of these will have people implications which will need to be considered at an early stage in consultation with the Trade Unions and staff impacted.

RECOMMENDATIONS

The Cabinet is recommended to:

- (1) Agree the Framework for the savings targets on which this Budget Strategy report is based including the use of a targeted approach to meeting the Budget Reduction Requirement both in 2016/17 and across the period of the Medium Term Financial Plan.

- (2) Agree that directorates work with the relevant Portfolio Cabinet Member, in consultation with the Corporate Resources Director and Cabinet Member for Corporate Services and Performance Management to identify potential savings to meet the indicative budget gap of £47.378 million for 2016/17 and £116.908 million across the period of the Medium Term Financial Plan.
- (3) Agree that relevant bodies who raise precepts and levies on the Council be formally contacted to request that funding reductions are also fed into these settlements which should be in line with those it is expected that Welsh Government will impose in respect of local authority funding.
- (4) Delegate to the Corporate Resources Director in consultation with the Cabinet Member for Corporate Services and Performance Management the authority to identify an alternative budget gap requirement upon further clarification being provided by the Welsh Government in respect of funding.
- (5) Delegate to the Corporate Resources Director in consultation with the Cabinet Member for Corporate Services and Performance Management the authority to amend the Budget Strategy, once the budget savings proposals have been reviewed, if this amendment does not significantly depart from the underlying principles. Any requirement to significantly depart from the underlying principles would require a further Budget Strategy Report to Cabinet.
- (6) Agree that the Council seeks expressions of interest from officers in respect of the voluntary severance scheme based on the current scheme.
- (7) note that the Leader will write to the Welsh Government, the Secretary of State for Wales and the Welsh Local Government Association to express his concern of the continued impact on the Council and the delivery of its services as a result of continued Welsh Government funding scenarios which are real terms cuts and fail to keep pace with the significant financial pressures that the Council is facing
- (8) Propose that Council agree that the Budget Timetable Framework set out in Appendix 2 be adopted and that the work outlined is progressed with a view to informing budget preparation.

CHRISTINE SALTER

Corporate Director

10 July 2015

The following Appendices are attached:

Appendix 1 – Budget Strategy Frequently Asked Questions

Appendix 2 - Proposed Budget Timetable Framework 2016/17

Appendix 3 – Finance Snapshot

The following Background Documents have been taken into account:

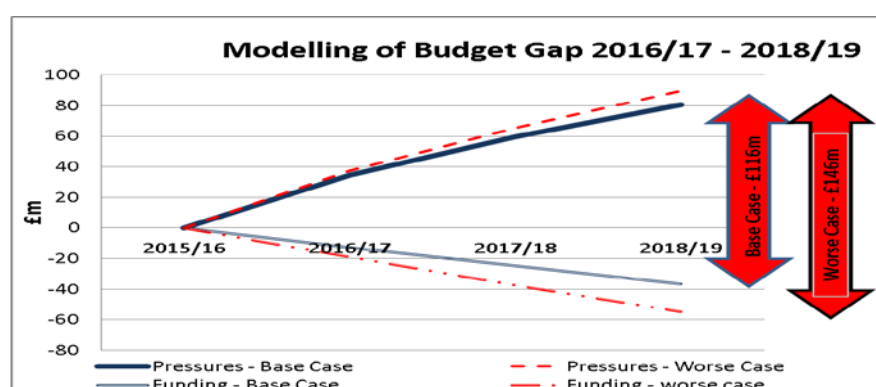
2015/16 Budget Report – February 2015

WLGA – Future Funding Outlook paper – 9 July Finance Sub Group

Budget Strategy Report 2016/17 – Quick Questions and Answers

Background

- Each year the Council sets its Budget Strategy for the following year and medium term. This briefing summarises the information contained in the July 2015 Budget Strategy Report for 2016/17 and the medium term. As shown below the situation is extremely challenging with the updated Budget Gap showing the Council needing to make savings of £47.378m in 2016/17 and £116.908m from 2016/17 to 2018/19.



How can the Council address the Budget Gap?

- The Council can address the budget gap using a combination of three main options noted here and subsequently explained in more detail.
 - Reduce the Budget Gap set out in the Medium Term Financial Plan (MTFP)**
 - Reduce existing Council budgets based on Reshaping Base Budgets**
 - Set Budget Strategy Assumptions in respect of council tax, schools and reserves**
- When deciding the combination of options, the Council considers both its statutory duties and its financial resilience (coping with unexpected and adverse events)
- It should be noted that one option in isolation would not be enough to address the scale of the budget gap, so Budget Strategy involves setting a suitable combination of options.

What does the Budget Strategy assume about the Budget Gap of £47.378m?

- Reviews are undertaken to consider scope to reduce the budget gap. This review is dynamic and changes are made due to technical updates and policy discussions.
- One of the reasons the Budget Gap is so high in 2016/17 is the inclusion of financial pressures of over £7m in respect of increases in national insurance costs.
- Review to date has identified a budget gap of £47.378m for 2016/17 which is £3.721m less than the £51.099m identified in February when the 2015/16 budget was set.**
- This reduction is a combination of updated modelling for voluntary severance costs, pay and price inflation. It also reflects updated projections for debt financing and a £1m reduction to a provisional sum of £6m that was included within the gap to address emerging financial pressures and potential in-year monitoring issues.

What does the Budget Strategy assume about reducing existing Budgets? How will targets be set?

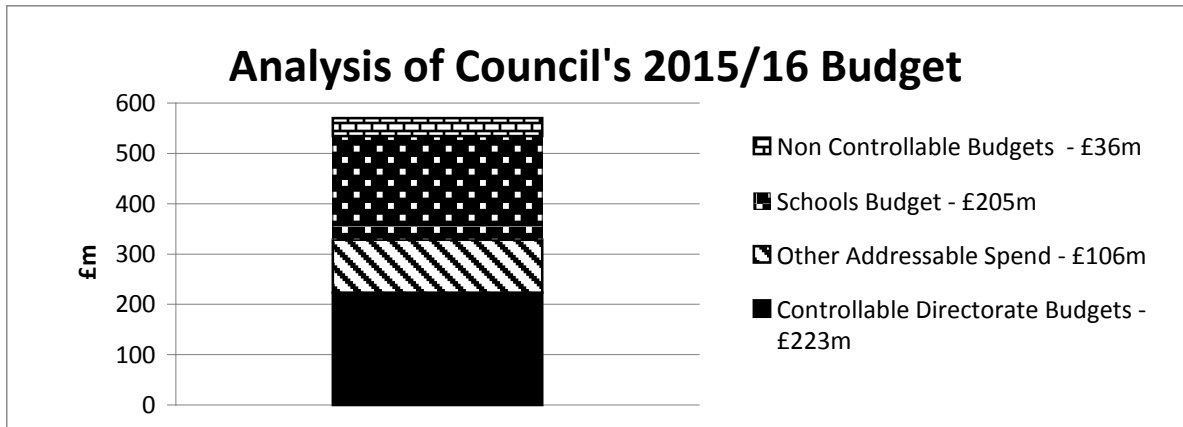
- The 2015/16 Budget Report acknowledged that an updated approach to identifying savings targets was required which considers the future shape of the Council.
- This has been taken forward as a **Reshaping the Base Budget** exercise
- This exercise identified services at the minimum statutory level and considered whether discretionary services could be covered by income. The difference between this picture and the current shape of services highlighted the opportunities for budget reductions over both one and three years against four savings drivers.
- In some instances this was driven by ongoing work in respect of alternative service delivery models, for example, leisure centres, arts venues and infrastructure services

Savings Driver	For Example
Policy led savings	Service reductions and Alternative Delivery Models that may require specific consultation.
Business Process Efficiency Savings	Savings from streamlining services in a citizen centric way. Their savings will often be technology driven, like mobile working and scheduling of electronic document management.
Discrete Directorate Led Savings	The more traditional savings found within directorates like reducing supplies budgets, maximising grant funding, reducing posts etc.
Income / commercialisation	Increasing existing income streams and looking for new opportunities to sell or trade services.

- The Reshaping exercise acknowledged that there are difficult policy choices ahead but also identified that because of the financial challenge, choices are severely constrained.
- The Reshaping exercise was the basis of setting savings targets for directorates for the period 2016/17 – 2018/19.
- **This exercise culminated in a target savings figures for directorates of £29.661m for 2016/17, £23.845m for 2017/18 and £17.010m for 2018/19.**
- These figures include challenging targets for the Communities and Wellbeing cluster given the complex and increasing demand in social care services.
- Figures also include stretching targets for business process efficiency and income/commercialisation savings
- **It should be emphasised that these targets do not represent specific proposals at this stage.**

Was the Reshaping the Base Exercise applied to all Budgets? Have we looked at everything?

- The Council's budget can be broken down as follows:-



- The £223m controllable directorate budgets were the subject of the Reshaping the Base exercise.
- The £205m Schools Budget is addressed below as part of assumption setting.
- The £36m non-controllable budget relates to areas that would be very difficult to reduce - the largest being the budget to pay Council Tax Support to eligible recipients
- The £106m **Other Addressable Spend budget** refers to areas that are not within the control of individual directorates to reduce, but are areas in which the Council could seek to make corporate reductions. It includes things like debt financing budgets, budgets to pay levies to other organisations, budgets for building costs and budgets to pay voluntary severance.
- **The budget strategy assumes a £7.05m reduction on addressable spend for 2016/17 with £4m per annum in each of the subsequent years.**

What about solutions other than savings? What other assumptions have been set as part of the Budget Strategy?

- There are 3 main budget strategy assumptions and these involve:-
 1. **Policy decisions around council tax increases.**
 - It should be noted that the council tax for 2016/17 will not be set until the February 2016 Budget Report. However, the need to plan effectively means that some assumptions need to be included within the budget strategy.
 - **The budget strategy assumption is based on council tax increases of 4.5% per annum for 2016/17 – 2018/19. This equates to £5.14m for 2016/17, £5.37m for 2017/18 and £5.61m for 2018/19.**
 2. **Review of the Council's Balance sheet**
 - This may identify areas that could be released to help reduce the budget gap. However, these sums tend to be "one offs" and therefore create an immediate, additional problem in the following year. Taking sums from the Council's balance sheet also has a negative impact on the Council's financial resilience and ability to manage risks as we have less to fall back on in the case of unforeseen financial events. For these reasons, it is not advisable to include excessive sums in this area.
 - **The budget strategy assumes an annual £1.5m use of reserves for 2016/17 – 2018/19.**
 3. **Consideration of whether to reduce the additional funding identified for Schools.**

- Schools budgets, which account for 36% of the Council's overall budget, have been afforded protection by Welsh Government in recent years.
- To date, there is no confirmation of whether this protection will continue. The Budget Strategy assumes that it will, and that it may mean we cannot reduce Schools budgets by any more than approximately £500k in 2016/17.
- Based on this assumption, the 2016/17 Budget Gap includes £10.074m for financial pressures above the amount identified to be provided to schools to meet protection requirements. This is in addition to £4.03m required to meet rising pupil numbers.
- **The budget strategy assumes that, setting aside increases for pupil numbers, sums included in the budget gap for schools pressures will be capped by 40%, releasing £4.03m in 2016/17 and £2.1m in each of the following two years.**
- Schools would still receive funding of 60% in respect of identified financial pressures as well as growth to meet rising pupil numbers.

How does this all fit together?

- The updated budget gap across the life of the MTFP is as follows:-

Budget Reduction Requirement	2016/17 £000	2017/18 £000	2018/19 £000	TOTAL £000
Increasing Pressures	34,655	24,940	20,835	80,430
Anticipated Funding Reduction (at 3%)	12,723	12,151	11,604	36,478
Budget Gap	47,378	37,091	32,439	116,908

- This scenario is a base case with the potential to increase to £146m if future funding decreases are 4.5% not 3% and future pay awards are 2% not 1%.
- The table below sets out the strategy for bridging the gap over the medium term.

	2016/17 £m	2017/18 £m	2018/19 £m	Total £m
Directorate Savings	29.66	23.85	17.01	70.52
Addressable Spend Savings	7.05	4.00	4.00	15.05
Total Savings	36.71	27.85	21.01	85.56
Reduction of 40% on Schools pressures	4.03	2.09	2.05	8.18
Council Tax (at 4.5%)	5.14	5.37	5.61	16.12
Balance Sheet Review	1.50			1.50
Total Assumptions	10.67	7.46	7.66	25.80
Updated Budget Gap	47.38	37.09	32.44	116.91
Shortfall to target	0.00	1.78	3.77	5.55

- Clearly £86m is a huge savings requirement which already includes stretching targets for income and business process efficiency savings
- Targets will be extremely challenging for all directorates and notably for the Communities and Wellbeing given the complex and increasing demand in Social Care
- **Even after setting these challenging targets and assumptions, a shortfall of £5.6m still remains in relation to 2017/18 and 2018/19. This shortfall may require further consideration of planning assumptions and policy choices moving forward**

What about our Capital Programme?

- The affordability of our existing Capital Programme is challenging given our reducing budgets. The Council needs to lower its borrowing levels and reduce its asset base.

What is the outlook?

- Achieving a balanced budget in 2016/17 will be extremely challenging
- **Beyond that, as for many councils, there is real potential that the Council will be unable to balance the budget unless radical policy choices and strategies are adopted.**
- Decisions will need to be taken in advance of budget dates to ensure full delivery.

Next Steps?

- **Savings proposals will be developed over the summer for consideration and consultation in the Autumn.**

PROPOSED BUDGET TIMETABLE FRAMEWORK 2016/17

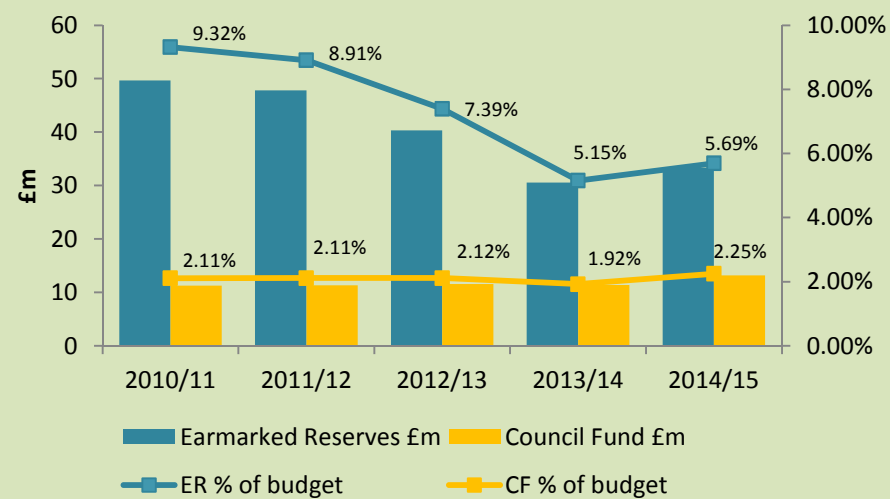
July 2015:	Budget Strategy report considered.
July – September 2015:	Directorates developing financial planning scenario options.
October 2015:	Initial meetings re preparatory budget work.
October 2015:	Provisional Budget Settlement received.
November 2015	Consultation on draft budget savings proposals
December 2015:	Cabinet approval of Council Tax Base.
December 2015:	Final Budget Settlement received.
January 2016:	Fine-tuning of budget proposals and consideration of medium term plans.
February 2016:	Approval of Corporate Plan and Budget.

In addition, throughout this period there will, as part of the Cardiff Debate, be continued involvement and consultation with Council Tax Payers, the grants sector, the Budget Forum, Scrutiny Committees, Trade Unions, and statutory consultation with schools.

FINANCIAL SNAPSHOT REPORT - BUDGET STRATEGY VERSION

The following tables, charts and figures give an indication of the financial resilience of the Council as per the Statement of Accounts.

Level of Council Fund (CF) and Earmarked Reserves (ER)



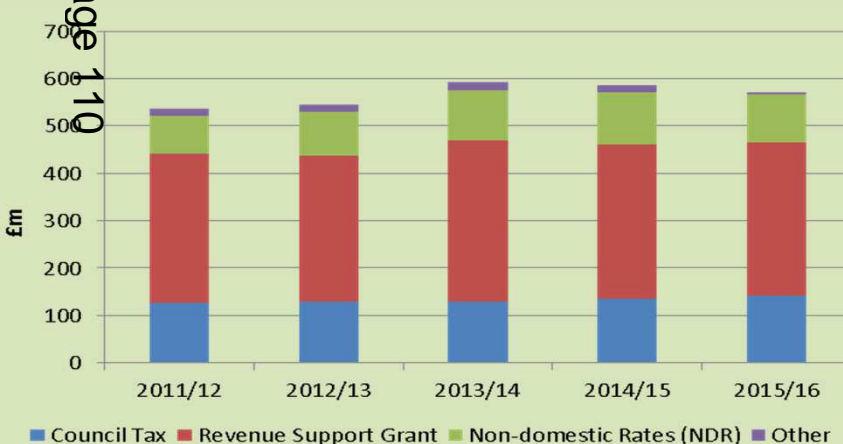
Levels of Reserves

	2014/15 £m	2015/16 £m
Earmarked Reserves	33.317	30.008
Council Fund	13.154	12.559

Budgeted Sources of Revenue Funding

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Total Revenue funding	536,867	545,631	593,007	585,288	570,219
Revenue Support Grant	315,271	307,237	339,678	326,291	322,851
Non-domestic Rates (NDR)	80,067	93,743	107,229	109,695	101,253
Other	15,681	15,451	16,874	14,182	3,482

Budgeted Revenue Funding Split



Financial Performance and Ratios

Ratio	Calculation	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Net Worth	(Assets - Liabilities)	912,881	884,876	877,709	881,632
Net Worth exc Pension Liability	(Assets - Liabilities)	1,546,881	1,592,190	1,350,736	1,421,418
Working Capital Ratio	(Current Assets/Current Liabilities)	1.93%	1.65%	1.39%	1.33%
Gearing Ratio	(Borrowing/Total Reserves)	48.9%	52.3%	54.7%	54.2%

The figures below show a snapshot of the Council finance for the previous financial year for both revenue monitoring and capital.

Revenue Outturn Position

Directorate	Net Expenditure Budget £000	Final Outturn £000	Variance £000	Variance %
Childrens Services	46,081	48,393	2,312	5.0%
Communities, Housing & CS	43,104	42,247	(857)	-2.0%
Corporate Management	26,596	26,454	(142)	-0.5%
County Clerk & MO	3,872	3,854	(18)	-0.5%
Economic Development	614	609	(5)	-0.8%
Education & LL	229,784	230,792	1,008	0.4%
Environment	26,587	26,480	(107)	-0.4%
Health & Social Care	95,132	100,500	5,368	5.6%
Resources	18,540	17,948	(592)	-3.2%
Sports, Leisure & Culture	15,321	16,008	687	4.5%
SP,H&T	26,892	26,888	(4)	0.0%
Total Directorates	532,523	540,173	7,650	1.44%
Capital Financing	35,960	35,722	(238)	-0.7%
General Contingency	4,000	(4,000)	-100.0%	
Summary Revenue Account etc.	12,805	7,652	(5,153)	-40.2%
Total	585,288	583,547	(1,741)	-0.30%

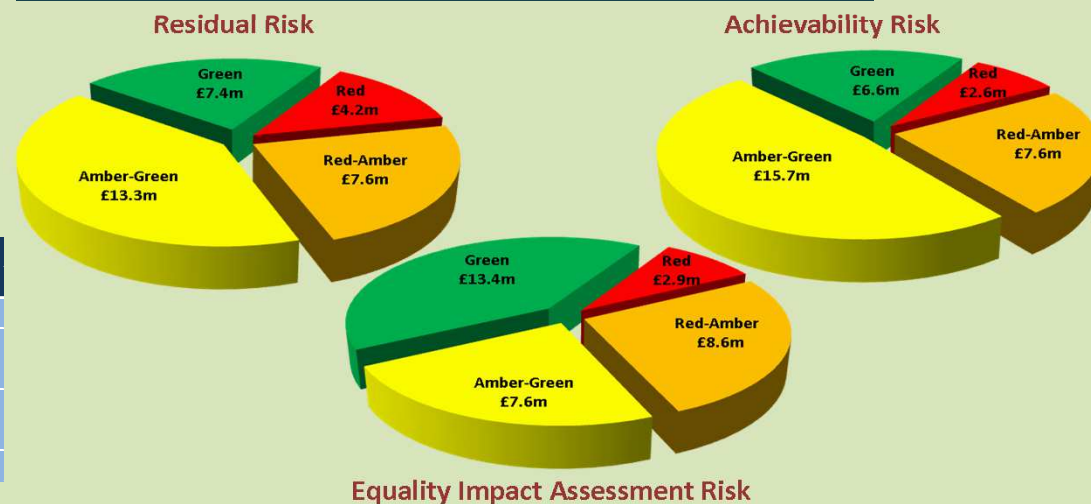
Revenue Savings Achieved and Unachieved



Capital Outturn Position

Directorate	Budget £000	Final Outturn £000	Variance £000	Variance %
Communities, Housing & CS	9,403	7,583	(1,820)	-19.4%
Economic Development	17,527	5,981	(11,546)	-65.9%
Education & LL	50,617	24,765	(25,852)	-51.1%
Environment	7,642	1,493	(6,149)	-80.5%
Health & Social Care	1,498	1,498	0	0.0%
Resources	5,468	1,805	(3,663)	-67.0%
Sport, Leisure & Culture	9,299	3,778	(5,521)	-59.4%
SP, H&T	24,237	15,946	(8,291)	-34.2%
Total	125,691	62,849	(62,842)	-50.00%

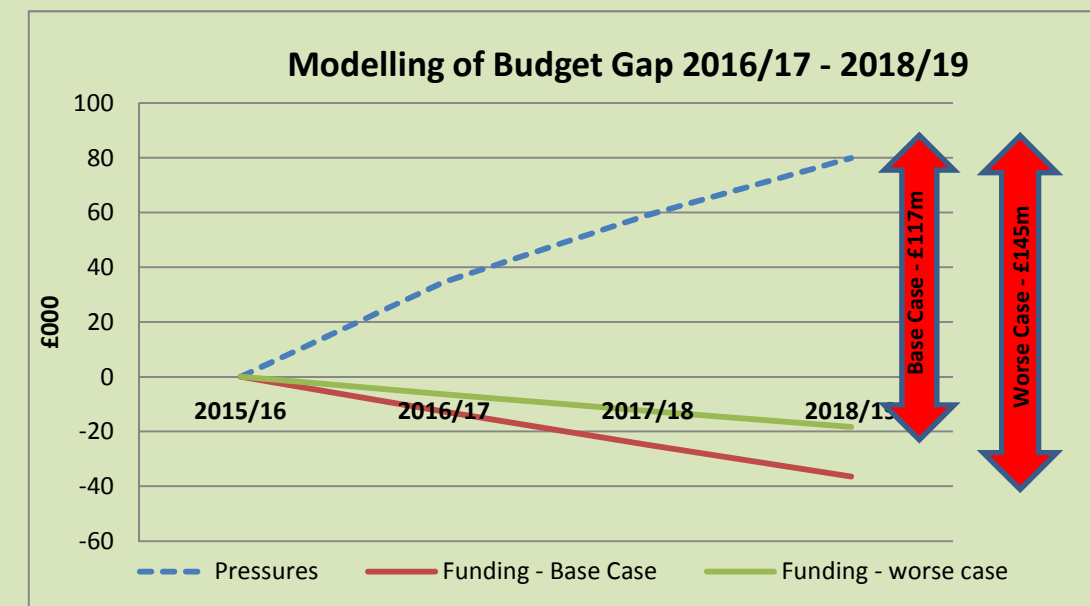
Final budget proposals 2015/16 risk analysis - TOTAL SAVINGS £32.5m



The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

MTFP Scenario

	2016/17 £000	2017/18 £000	2018/19 £000	TOTAL £000
Financial Pressures	34,655	24,940	20,835	80,430
Funding Reductions	12,723	12,151	11,604	36,478
Budget Requirement Reduction	47,378	37,091	32,439	116,908
Savings Targets & BS Assumptions	47,378	35,308	28,675	111,361
Shortfall to Requirement	-	1,783	3,764	5,547



Capital Expenditure & Capital Financing Requirement (CFR)

	31 Mar 2015 £m	31 Mar 2016 £m	31 Mar 2017 £m	31 Mar 2018 £m
Capital Expenditure				
General Fund	63	89	102	70
HRA	20	208	26	23
Total Capital Expenditure	83	297	128	93
Capital Financing Requirement				
General Fund CFR inc Landfill	427	457	476	476
HRA CFR	95	282	289	302
Total CFR	522	739	765	778

Affordability Indicator - Capital Financing costs as a % of Controllable Budget

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Difference 11/12- 19/20
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	
	%	%	%	%	%	%	%
Net	15.82	16.65	18.41	20.63	21.95	22.61	67.85
Gross	19.13	20.77	22.94	26.56	28.83	29.54	94.73

**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

AN UPDATE ON THE ORGANISATIONAL DEVELOPMENT PROGRAMME

REPORT OF THE CHIEF EXECUTIVE

AGENDA ITEM:4

PORTFOLIO: CORPORATE SERVICES & PERFORMANCE (COUNCILLOR

Reason for this Report

1. To provide an update on the implementation of the Council's Organisational Development Programme (ODP) and to map out the next steps for key projects and initiatives that are essential to improving the Council's financial resilience and service delivery performance in the medium term.

Background

2. Cabinet's report, of 15 May 2014, established the ODP as a comprehensive response to a range of critical challenges, including the marked deterioration of the Council's financial position, demand-led pressures on services, and the inadequate performance of a number of statutory services. It sought to address issues identified by the Welsh Local Government Association (WLGA)-led Peer Review, and anticipated many of the observations of the Wales Audit Office's (WAO's) Corporate Assessment, which was published in September 2014. The WAO recommended that: "the Council ensures the implementation of its Organisational Development Plan and resolves the range of issues identified in this assessment".
3. The ODP has brought together the key change projects that will help deliver more efficient council services and improve performance outcomes. The scope and scale of the programme reflects the absolute requirement for the Council to continue to move rapidly to a new model of service delivery that enables the effective management of current and future demand with vastly reduced resources. It also acknowledges the need for the Council to develop strong relationships with partners in the context of local government reorganisation.
4. The programme has a rolling three-year horizon and **Appendix 1** provides a detailed assessment of developments to date. In summary, progress has been made on a number of fronts, addressing positively the observations of the WAO and shifting the organisation into a process of

service reviews and change. However, the seriousness of the financial position facing the Council remains and there is an urgent need to ensure that momentum is maintained.

5. This report re-orientates the Council's organisational development work to reflect the progress that has been made over the last twelve months towards the delivery of a new "future state" operating model and to ensure that the Council's transition to new ways of working proceeds at pace. In particular, the programme has been recast to accelerate the shift to online services and mobile working, reduce demand pressures on social services in particular, facilitate the move to alternative models of delivery, increase commercial revenue where practicable, reduce the Council's asset base through fewer but better buildings, and maintain progress towards creating a culture of performance management, good workforce planning, staff engagement and community involvement that supports the delivery of council services.
6. The scope and scale of the programme is predicated on the assumption that every service of the Council now needs to plan for a radical adjustment of delivery models to reflect an era of severe budgetary constraint. In summary, the materiality of the service choices facing the Council cannot be understated. The reality is that in almost all cases it will not be possible to maintain services at their current levels without compromising the financial resilience of the Council.

Update on progress

7. As a matter of necessity, a key focus of the first year of the programme has been on addressing fundamental shortcomings identified by the WAO and developing a concerted response to financial pressures. Appendix 1 highlights the steps that have been taken and the outcomes that have been achieved. Performance systems have been strengthened with Estyn finding evidence of an "emerging culture of more rigorous performance management". Service delivery models have been reviewed with steps being taken to develop alternative delivery mechanisms across a range of services. Important enablers of organisational efficiency and change, including key technology projects, have moved forward. The Cardiff Debate represents a strengthening of public engagement about budgetary options and choices. And significant work has been undertaken to engage with staff in a meaningful way.
8. While progress has been made, the fact remains that the situation facing the Council remains exceptionally difficult. The budget setting process for 2015/16 was the most challenging in the Council's history - yet the medium term offers little in the way of relief. The task of realigning services to a dramatically reduced budget needs to be pursued as a priority with tough decisions being required about the shape, purpose and scope of council activities. At the same time, much more remains to be done to improve the performance of statutory services, as too many services remain in the lower quartile of Welsh local government performance.

9. With this in mind, the ODP has been reshaped to build on progress over the last twelve months with a renewed focus on projects and initiatives that will help to improve the performance of key statutory services but also strengthen financial resilience by moving the Council towards a new organisational model that drives down the cost of transactional services and deploys resources across directorates to more effectively address complex issues.

The Council's Future Organisational Model

10. The next phase of the ODP will focus sharply on a smaller number of priorities. In particular, it will seek to move the Council away from its current approach to service delivery towards a new Target Operating Model. This will aim to ensure that the activity of the Council is aligned as a "whole system" to meet customer demand in the most effective way, joining up interventions with partners where it makes sense to do so from the customer's viewpoint, and including communities in developing co-operative solutions to meet identified local need outside of statutory provision. The approach, which is outlined diagrammatically in Appendix 2, will include the implementation of alternative delivery models based on an evaluation of the best way to achieve effective outcomes and allow commercialisation of services to become a reality.
11. The key features of the new organisational model will be as follows:
 - Services will be designed on the basis of a real understanding of customer demand, informed by business intelligence from the Council and partner organisations. This will enable clear and measurable assessment of service interventions;
 - New technology will be implemented in a standardised way to maximise investment return and reduce unnecessary variation in the handling, quality and cost of service provision, and;
 - A concerted move will be made to shift to online routine customer transactions. In effect digital services will become the default position for customer enquiries and requests.
12. In this new model, services will be defined as either "Universal" or "Gateway". Universal services are those that are relevant to every citizen, such as waste collection, highway maintenance and a range of payment services. The model assumes that such services will be delivered in the most lean and cost effective way possible, with alternative delivery models being evaluated and utilised where appropriate.
13. Gateway services, by contrast, are only available to individual on the basis of an assessment of need. Wherever possible, unified needs assessments could be used so that a citizen is able to "tell us once" to unlock access to services, rather than have separate assessments. Services will therefore be designed around citizen needs rather than around organisational silos. The differentiation between universal and gateway services allows increasingly scarce resource to be targeted on

those with the most complex needs, by reducing the cost of routine, transactional services.

14. The new Customer Relationship Management system which is currently being deployed in partnership with SAP will enable self-service for all transactional contacts and a route to multi-agency “gateway” assessed services. The system will maintain contacts and services in a single platform that will make analysis of demand more transparent and accurate. Customers will be able to transact on line with access to real time service performance through a single portal. The result will be a step change in the quality and cost-effectiveness of customer interaction with the Council.

Organisational Development Programme: Realignment & Next Steps

15. The revised Organisational Development Programme now has two principal portfolios of work; i) Enabling and Commissioning Services and ii) Reshaping Services. Appendix 3 of this report outlines timescales for the key strategic milestones in each of these portfolios over the next eighteen months.
16. **Enabling and Commissioning Services:** Led by the Corporate Director (Resources), this portfolio will establish Council-wide measures to support effective delivery and cost reduction across all directorates. It includes the following five programmes:
 - **Assets & Property** – will provide a sharp focus on the strategic and corporate management of the Council's operational and non-operational estate as well as delivery of the School Organisation Plan. The aim is to rationalise the estate and deliver fewer, but better buildings. This programme will reduce revenue costs by at least £2m per annum, reduce the Council's maintenance backlog by at least £12m and generate at least £10m in capital receipts by 2018.
 - **Corporate Commercialisation** – will enable the Council to identify and exploit commercial opportunities, such as trading existing services. The aim is to increase commercial income and generate operating surpluses through a phased approach to commercialisation. This will include the establishment of a Commercial Alarm Receiving Centre by September 2015 and Cardiff Works to commence trading by June 2016.
 - **Improvement** – will continue the development of performance management practice and culture, workforce planning, employee engagement and internal communications. The aim is to ensure that the Council's performance is commensurate with the best performing local authorities in Wales, with over 50% of the Council's National Strategic Indicators and Public Accountability Measures in the top two quartiles of performance in Wales by 2017-18.
 - **Governance & Engagement** – will support improved decision making, member development, scrutiny, public engagement and

communication. The aim is to ensure that the process of making decisions is efficient, open and transparent and can be appropriately engaged with and influenced by local members as well as local people.

- **Strategic Commissioning** – will focus on building the Council’s commissioning capacity. The aim is to deliver high quality but sustainable services that meet clearly defined outcomes. Key milestones will include Leisure and Arts provision at significantly reduced subsidy by 2016, and the identification of the most appropriate model for delivering other valued but discretionary services.

17. **Reshaping Services:** Led by the Director of Communities, Housing & Customer Services, this portfolio will exploit enabling technologies and develop working practices to facilitate the reshaping of key services. The aim is to better manage demand, re-align services that are currently delivered across a number of service “silos”, and deliver services at reduced overall cost. The 4 work streams are currently structured as below, although as the programme progresses, some amendments may be made to project alignment.

- **Customer Focus & Enabling Technology** – will establish and exploit standardised technology (such as the SharePoint collaboration software and the Customer Relationship Management model) across the Council to maximise the capture and use of customer data. The aim is to drive down the cost of delivering service, improve quality and consistency of customer service and eliminate unnecessary duplication of effort through a rigorous integration of “back office” processes.
- **Infrastructure & Neighbourhood Delivery** – will deliver the Neighbourhood Services project, Infrastructure ADM and the rationalisation of associated back office operations. It will also assess opportunities for benefits that could be achieved through implementation of mobile working and / or scheduling technology and implement changes as appropriate. The aim is to ensure that major services which account for a significant proportion of the Council’s budget are delivered from the lowest financial base while achieving key service delivery outcomes.
- **Services for Vulnerable Adults** – will focus on demand management and service redesign in relation to assessment & care management, hospital discharge, service gateway, self-service, accommodation and deployment of mobile and scheduling technology across health & social care services. The programme will also analyse further opportunities, such as brokerage and back office improvements, delivering changes accordingly.
- **Services to Vulnerable Children** – will develop key partnership projects to deliver improved outcomes in relation to supporting vulnerable families, Adolescent Resource Centre, Multi-Agency

Safeguarding Hub (MASH) and services for disabled children and young people. It will also address accommodation and support for vulnerable children and will deliver business process improvements and savings across the service.

18. Programme Boards have been established for each programme, which report to the Organisational Development Board that is chaired by the Chief Executive. Within each programme, work streams have a management board tasked with securing the timely delivery of milestones set out in individual project plans. The appointment of two operational managers also represents an important allocation of resources to drive the Programme forward, bringing into play dedicated project management capacity.

Local Government Re-organisation

19. The approach takes account of the Welsh Government's announcement on the re-organisation of local government. A number of the initiatives currently being taken forward, not least in relation to social care, are predicated on strong integration with adjacent local authorities and in particular the Vale of Glamorgan. The evaluation of infrastructure delivery models also reflect the need for the council's services to operate across current boundaries,

Wales Audit Office Corporate Assessment

20. The Wales Audit Office will conduct a further Corporate Assessment in October 2015, when progress made by the Council in relation to the September 2014 report will be reviewed. It is anticipated that the progress achieved in delivering the ODP will be an important pointer to the overall progress of the organisation in addressing the conclusions of the WAO's September 2014 Corporate Assessment. The Corporate Assessment Follow-On will seek to answer the question: *'Is the Council effectively addressing the issues raised in the corporate assessment?'*

Make the Difference

21. The ODP has been established to ensure sustainable Council services in the face of significant financial and demand pressures. It is therefore important that all staff understand the nature of the work being undertaken across the Council and the important role they have to play in shaping the organisational agenda.
22. In response, the "Make the Difference" campaign has been launched to ensure council wide understanding and support for the programme of change which draws together- under one coherent and recognisable brand- the work being progressed through the ODP. The "Make the Difference" campaign is communicated via a variety of printed, electronic and social media channels to engage staff, celebrate success and capture the Council's programme of change within a single brand. In parallel to staff engagement, a programme of engagement and

communication with members about the programme will commence with regular updates on progress.

Reason for Recommendations

23. To enable the Cabinet to note progress on the implementation of the Council's Organisational Development Programme and agree a "refresh" of the programme essential to improving the Council's financial resilience and service delivery performance in the medium term.

Financial Implications

24. The Organisational Development Programme is essential to improving the Council's financial resilience and releasing budget savings during a period of sustained austerity and financial constraint. This is reflected in the Budget Strategy Report for 2016/17 and the Medium Term which is also on this Cabinet agenda. The Organisational Development Programme aims to strengthen financial resilience by moving the Council towards a new organisational model that drives down the cost of transactional services and ensures the effective use of resources across directorates. The approach includes the implementation of alternative delivery models based on an evaluation of the best way to achieve effective outcomes and allow commercialisation of services to become a reality. This report provides an update on progress and maps out the next steps in relation to key projects and initiatives. The resources necessary to support the implementation of the Organisational Development Programme will be met from existing revenue and capital budgets and through invest-to-save initiatives.

Legal Implications

25. There are no general legal issues arising from this report. Legal advice will, however, be required on each individual programme and work stream as they progress.
26. In considering this matter and developing the proposals for each of the ODP work streams regard must be had to the Council's duties under the Equality Act 2010 and appropriate steps taken to ensure compliance. Pursuant to the Council's duties under the Equality Act 2010 the Council must, in making decisions, have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. Protected characteristics are: (a) age, (b) gender reassignment (c) sex (d) race – including ethnic or national origin, colour or nationality, (e) disability, (f) pregnancy and maternity, (g) marriage and civil partnership, (h) sexual orientation and (i) religion or belief – including lack of belief. In respect of each individual programme consideration should be given as to whether an equalities impact assessment (EQIA) is required, (including an updated assessment if there has been a time lapse since the original assessment was carried out), to ensure that the Council has understood the potential impact of the proposed decision in terms of its public sector equality duty.

HR Implications

27. As the OD programme has been established to ensure high quality and sustainable services in light of significant financial and demand pressures, it is critical that staff understand the key role that they play and the need for change. There needs to be strong staff awareness of the Council's challenges and priorities and the role staff can play in addressing these. The new Making the Difference Campaign which uses a variety of media, will help aid this Council wide understanding and support for the OD Programme going forward.
28. The proposed realignment of the ODP is creating two main programmes of work: Enablers & Commissioning and Shaping Services, with various projects included within each. Many of the projects will have significant impact on staff (directly or indirectly), either through delivering services in the most cost effective way possible or by being "digital by Default". There will be a stronger focus on growing commerciality, directing scarce resources towards those with the most complex needs and meeting other less complex needs through lower costs solutions.
29. A Workforce Strategy (and Employee Charter) aligned to the Corporate Plan and OD Programme were agreed by Cabinet in April 2015 along with an extensive programme of staff engagement. The challenge now is to ensure that these are built on and consolidated upon.
30. The approach to OD is underpinned by the workforce continuing to be its most valuable asset and the creation of a positive and enabling culture will continue to be a primary goal with a shared understanding of performance management at the heart of that agenda. The contribution of staff will be critical so the need for clear and regular communication with staff and Trade Unions will continue to be of paramount importance.
31. Whilst the Council recognises the need to invest to develop the skills, knowledge, attitude and behaviours of its staff e.g. new Cardiff Manager Programme, much still needs to be done in this respect. A number of projects are nearing the stage where key decisions about future service delivery models are starting to be considered and this is likely to be unsettling for those directly impacted plus those indirectly impacted e.g. support staff may feel they have uncertain futures.
32. Although it is not possible to provide specific HR implications on final delivery models at this stage (this will be dependent on the operating model subsequently adopted by the Council), there will need to be continuing consultation with employees and the Trade Unions on proposals being developed so that they can respond in a meaningful way and understand the impact that the new model of service will have on them. Hence the need for timely and ongoing communication with staff and Trade Unions continues to be a key priority. Any associated reductions in resource levels will be managed in accordance with the Council's recognised policies and processes.

RECOMMENDATIONS

The Cabinet is recommended to:

- 1) Note the report
- 2) Agree the future direction of the Organisational Development Programme as set out in this report
- 3) Authorise the Chief Executive, in consultation with the Leader and Cabinet Member for Corporate Services and Performance, to progress the delivery of the Organisational Development Programme;
- 4) Agree the consolidation of ODP project activity under the “Make the Difference” brand to enable the effective communication of key issues across the organisation.

PAUL ORDERS

Chief Executive

10 July 2015

The following appendices are attached:

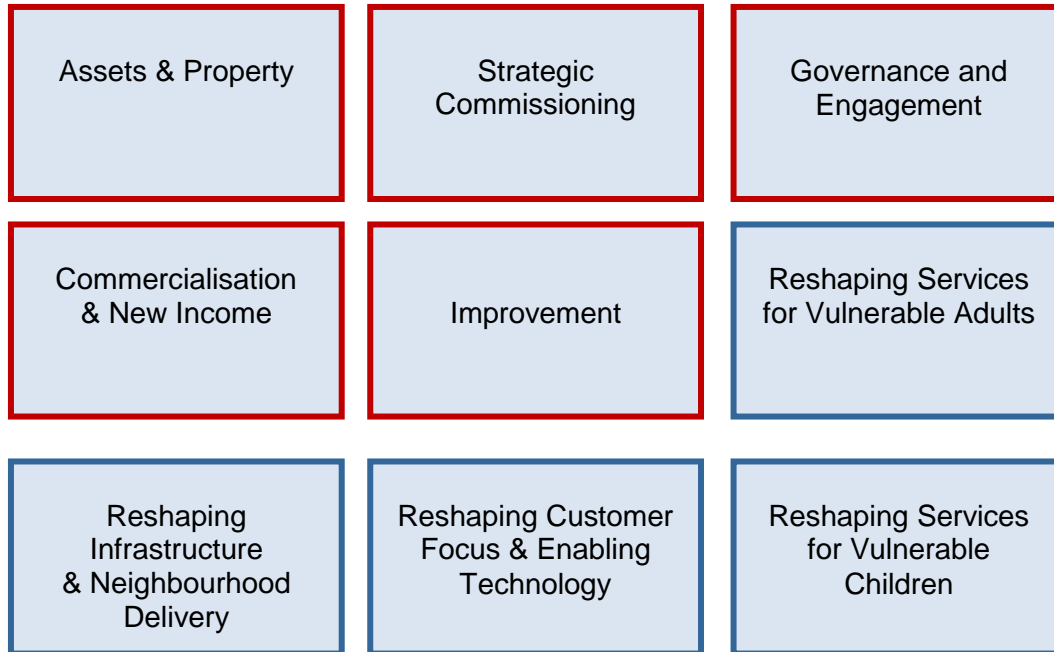
Appendix 1: ODP Work Stream Progress Update

Appendix 2: Target Operating Model

Appendix 3: ODP Time-Line of Key Strategic Milestones

ODP Work Stream Progress Update

- Appendix 1 provides a summary of progress achieved through the Organisational Development Programme against the 9 programmes.



- In designing the Programme agreed in May 2014, a conscious decision was made not to attach specific savings targets to individual actions or objectives within the programme. In a previous transformation programme implemented by the Council, this approach resulted in unproductive tension between the process of releasing savings from core business and releasing savings through transformation.
- The Programme has been designed to support and facilitate the release of savings identified by directorates, rather than to supplement them. As a result, the assessment of progress does not include savings released in many cases. Rather, progress is expressed in terms of outcomes achieved in relation to performance, customer experience and governance.
- Following the realignment of the Organisational Development Programme, all progress to date is now included under the most relevant Programme.

Portfolio: Enabling and Commissioning Services
Programme: Improvement

Aim

5. The Improvement Programme seeks to address the urgent need to make robust performance planning and management the norm across the Council, incorporating action on employee engagement and development, communications, stakeholder engagement, and performance management. This work also seeks to deliver rapid and sustained performance improvement in priority areas, such as education. In doing so, the programme will tackle the need for continuous improvement identified by the Wales Audit Office, Estyn, and by the Council itself.

Progress to date

6. **Corporate Planning:** The Council has taken steps to improve its Corporate Plan and Corporate Planning arrangements. The revised approach addresses the issues raised by the Corporate Assessment; positions the Council to respond to the requirements of new legislation, such as the Wellbeing of Future Generations (Wales) Act, and addresses various other issues raised by the WAO. The Corporate Plan 2015-2017 contains targets and performance measures set against a clear framework for delivering outcomes, priorities, improvement objectives and commitments. The Directorate Delivery Plans for 2015-17 also provide further details of how the Council will deliver corporate priorities, key service priorities, savings proposals and performance targets. Early indications suggest that the WAO is satisfied with the refreshed Corporate Plan and the Council's approach. Key actions have included:
 - **Establishing a Clear Vision and Priorities.** The Council has adopted a clear corporate vision to make Cardiff "Europe's most liveable Capital city" and has structured its corporate and directorate plans around delivering this vision. The Council also has a reduced number of improvement objectives to deliver priorities, reflecting financial realities. A set of renewed organisational values have also been agreed following engagement with staff through employee roadshows. These are important in helping to set the culture, environment and behaviour required for positive change.
 - **Realigning the Corporate and Partnership Policy Framework.** In October 2014, the Cabinet agreed a realigned policy framework that sets out the Council's contribution to the city wide outcomes captured in the 'What Matters' Single Integrated Plan and positions the Council to respond to the requirements of the Wellbeing of Future Generations (Wales) Act. This has included the development of a Liveable City report, in consultation with partners, to capture objectively city level performance. Directorate Delivery Plans have also been revised and published to demonstrate operational delivery.
 - **Establishing Clear Terminology.** The Corporate Plan has established and defined a clear hierarchy of terms, as recommended at the December

2014 meeting of the Policy Review and Performance (PRAP) Scrutiny Committee. This also addresses the “confusion” around language that was identified previously by the WAO Corporate Assessment.

- **Setting Targets with Clear Measures of Success** – Following a formal target setting session involving all Cabinet Members and the Senior Management Team, the Corporate Plan now includes a basket of performance measures with clear targets. These consist of a mixture of (statutory) National Strategic Indicators and Public Accountability Measures as well as “Local” indicators selected for their particular relevance. The Corporate Plan Appendix also includes details on past performance, the Council’s relative position (where available) and targets for the next two years.
- **Benchmarking:** Benchmarking comparisons with other UK Core Cities and Welsh Local Authority areas are included where possible.
- **Improving Engagement with Key Stakeholders:**
 - **Early Engagement with Policy Review and Performance (PRAP) Scrutiny Committee:** The PRAP Scrutiny Committee considered the Corporate Plan and Corporate Planning approach in December 2014, and again in February 2015.
 - **Engagement with Wales Audit Office:** In January 2015, a draft of the Corporate Plan was shared with the Wales Audit Office (WAO) for feedback to help ensure the Council was responding positively to previous criticisms. The draft structure and terminology used in the Plan were revised following engagement with the WAO.
 - **Public Engagement** via a consideration of the findings of the Cardiff Debate.
 - **Consideration by Challenge Forum:** In January 2015, members of the Challenge Forum were invited to consider a draft version of the Corporate Plan and provide comments on structure, style and content. In summary, the Forum:
 - endorsed the style and structure,
 - noted that clear lines of accountability had been maintained,
 - recognised the distinction made between “city performance” and “organisational performance”,
 - supported the production of a “shorter, community facing” version of the Plan.
 - **Corporate Plan All Member Engagement Session:** All Councillors were invited to a member engagement workshop that was held on 22 January 2015, prior to formal consideration by all Scrutiny Committees.
 - **Consideration by all Scrutiny Committees:** A draft version of the Corporate Plan 2015-2017 was provided to each of the Council’s five

Scrutiny Committees for consideration alongside draft budget proposals for 2015/16.

- **Publication and Communication:** To ensure the Corporate Plan is communicated effectively, a suite of stakeholder appropriate documents have been produced. These include;
 - A shortened “community facing” version of the Plan, which does not include some of the technical detail required by statute, but communicates the key messages.
 - For staff and elected members, a “Plan on a Page” crystallising all the key messages for the organisation,
 - Balanced scorecard, which presents key information relating to the organisation, its performance and its contribution to the wider city vision.

- 7. **Performance Management:** The Council has established appropriate governance mechanisms to enable effective challenge for both officers and members. It has also sought to embed a culture of accountability and responsibility at every level of the organisation. The independent peer advisors on the Council’s Challenge Forum have remarked that the performance management framework that has been put in place by the Council is appropriate and commensurate with other local authorities who have a successful track record of performance management.

- 8. It is accepted that progress in performance management will take some time to be become fully visible across all the Council’s performance indicators and that improvement is yet to be seen across the piece. The focus is therefore on establishing and embedding a culture of challenge, accountability and responsibility and addressing specific areas where performance is known to be unsatisfactory. With regards to specific areas identified for accelerated improvement, progress is being made though it is recognised that further work is required. Important progress achieved to date includes 53% of Public Accountability Measures & National Strategic Indicators (preliminary analysis) show improved or maintained performance compared to 2013-14. Ensuring challenge and accountability for both officers and members has been supported through the introduction of:
 - **Cabinet Star Chambers**, where Cabinet Members and Directors are challenged on performance on a quarterly basis, and remedial actions are agreed.
 - **Improvement Boards**, chaired by the Chief Executive, which provide intensive review of performance and improvement at directorate management team level, with external peer input in priority areas.
 - **Challenge Forum**, through which senior members, officers, and peer advisors can assess and challenge both the direction and rate of change and improvement in the Council.

- **Simplified Personal Performance & Development Reviews (PPDRs)** across the Council.
- **Cardiff Manager Programme** – through which over 300 middle managers have received training in the core skills necessary to manage in a changing environment.
- **Accelerated Improvement in Education**
 - Adult Community Learning in Cardiff received a positive Estyn monitoring report showing good progress to address previously identified weaknesses.
 - Estyn recognised progress in the most recent monitoring letter on education services for children and young people, noting that: “overall, there is an emerging culture of more rigorous performance management...” (May 2015).
 - The latest school performance figures show much stronger improvement than in recent years, closing the performance gap that exists between Cardiff and the rest of Wales.
 - Performance in a number of key metrics has improved faster than other Welsh local authorities.
 - School data for 2015-16 indicates that this improvement is continuing and Estyn has acknowledged improvements in performance management, including challenge at school level.
 - However, the Corporate Plan and Education Directorate Plan both identify the need for continued focused attention in key areas of the service, and particularly in connection with Challenge Cymru schools. This is reinforced by the latest Estyn monitoring letter.
- **Accelerated Improvement in Children’s Services**
 - Action has been taken to reduce caseloads and improve recruitment and retention of social workers.
 - An independent review of casework has identified good social work practice by the Intake & Assessment team.
 - The August 2014 CSSIW review of safeguarding and care planning of looked after children found many positive aspects of the service and the October 2014 CSSIW performance evaluation for 2013-14 noted improvement in key areas of the service, with appropriate plans in place to address under performance.
 - However, progress is fragile and the service needs to increase strategic capacity to drive forward key developments such as the Multi Agency Safeguarding Hub (MASH).

- **A Focus on Sickness Absence**
 - Sickness absence is at its lowest level (10.11 FTE days) since monitoring commenced. Compliance with the policy is strong, with around 90% of return to work interviews being completed within the required timescales.
 - However, the impact on absence levels has plateaued and, as a result, the Cabinet commissioned officers to review the Attendance and Wellbeing Policy that would bring forward options for additional policy levers that can be used to address this issue.

Workforce Planning & Employee Engagement

9. A Workforce Strategy has been developed which is aligned to the Corporate Plan and the Organisational Development Programme. It is also underpinned by the Council's vision, together with its values of "Open, Fair and Together". The strategy sets out clearly key priorities providing an explanation for each, along with an indication of the current position; what the Council needs to focus on; how it is going to achieve its objectives and the outcomes being sought.
10. It has run alongside and been informed by an extensive programme of staff engagement which has involved establishing staff ambassadors as well as employee roadshows. The roadshows have been identified by over 1000 staff members and have been held in a number of different locations. They provided staff with the opportunity to engage directly with the Chief Executive and Senior Management team, whilst also influencing key developments such as the Employee Charter and Workforce Strategy. Key deliverables have included:
 - **Employee Roadshows**
 - 15 roadshows attended by over 1000 employees
 - **Establishing Ambassador Network**
 - 5 Ambassador Workshops,
 - 140 Ambassadors across a range of grades and from all Directorates,
 - 4 Task and Finish groups led by Ambassadors considering procurement, communication and engagement, development of SharePoint and an ideas task and finish group
 - **Developing Workforce Strategy.** Key priorities of the strategy include:
 - Workforce Development,
 - Partnership working with the Trade Unions,
 - Employee Voice,
 - Learning & Development,
 - Employee Charter,
 - Performance Review,
 - Health & Wellbeing.
11. The Cabinet also agreed a **Partnership for Change with the Trade Unions** in January 2015 as part of the need to achieve a planned financial saving of

£5.75million in 2015/16, which was to be found by a combination of measures, including:

- Revised Voluntary Severance scheme (approved by Cabinet in January 2015)
- Reduction in amount of Agency Spend
- Introduction of Recruitment Freeze
- Reduction in amount of Discretionary Overtime
- Management De-layering
- Promotion of Voluntary schemes such as Purchase of Annual Leave scheme

12. The Trade Unions agreed to work with the Council towards the achievement of these savings and to embark on discussions and negotiations around a programme for reform in 2016/17. These discussions have been ongoing and good progress has been made to date through the work of the Joint Partnership Board as a forum for discussion, communication and consultation. An update report on this work is expected to be considered by the Cabinet in July 2015.

Next Steps

- Embed robust performance management within the culture of the Council to ensure that financial and service performance is properly understood to be everyone's priority.
- Secure a level of performance that places over 50% of Cardiff's NSI's & PAMs in the top quartile of performance in Wales by 2017/18.
- Ensure continued improvement in education, children's services & adult services.
- Improve common understanding of our performance
 - By 2016-17, all directorate business plans will include credible benchmarking information, and there will be evidence of benchmarking being used to drive improvement.
 - Undertaking detailed Service Reviews which follow an agreed methodology.
- Improve challenge & accountability throughout the organisation
 - Communicate clear performance management expectations to directors, Cabinet & Scrutiny
 - provide support to priority areas to develop performance management behaviours and processes
 - build on Challenge Forum and improvement boards to include stronger role for opposition members and scrutiny chairs, in order to strengthen both challenge and awareness of the Council's performance profile
 - subject PPDR to random-sample quality checks, to shift the organisation's focus from compliance to quality, ensuring that appropriate conversations happen consistently across directorates in

setting objectives, reviewing progress and either celebrating success or addressing under performance.

- provide on-going training and development programme for members and officers on performance management
-
- Improve staff engagement with delivery of the Council's agenda:
 - Fully exploit the engagement mechanisms put in place to secure strong staff awareness of the Council's challenges and priorities, and their active engagement in addressing these. This will include implementing a comprehensive programme of engagement at corporate and directorate levels in partnership with the ambassadors network.

Aim

13. The assets and infrastructure programme focuses on rationalising and modernising the Council's estate in order to reduce the cost of occupying, managing and maintaining buildings and to improve operational efficiency. Reducing the number of buildings will also deliver capital receipts. The key projects in the work stream relate to the council's operational and non-operational estate, with an emphasis on office rationalisation and the Schools Organisation Plan.

Progress to date

- **A new Corporate Property Strategy 2015-2020** ("Fewer But Better Buildings") - approved by the Cabinet in November 2014, the strategy will help improve the way in which the Council manages its estate and in doing so will directly address the weaknesses identified by both the WAO Corporate Assessment and WLGA Peer Review.
- **A new Corporate Asset Management Plan** – this annual plan serves as the delivery vehicle for the Corporate Property Strategy. The draft plan is due to be reported to Cabinet for approval in July 2015.
- **Re-establishment of the Asset Management Board** – the Board is chaired by the Chief Executive and provides strategic and corporate overview for a programme of property related improvements. Public sector partners also attend board meetings to explore opportunities for collaborative use of property.
- **Review of Non Operational Estate** – this review has resulted in a number of recommendations on ways forward to deliver better income.
- **A refreshed Schools Organisation Plan** – this will ensure more effective delivery of fit for purpose schools through which the Council will continue its programme of improving educational outcomes. One of the long term aims of the Property Strategy is to establish a network of community hubs based around new secondary school campuses across the city.
- **Office Rationalisation** – this is ongoing and, by the end of 2014/15, 14 office buildings have been closed, with a cumulative revenue saving of £440k.
- **Stepping Up Toolkit to support Community Asset Transfer** – the Council has started the process of collaborating with a range of community groups and other organisations in order to support the process of asset transfer and involvement in service delivery. This has included developing a toolkit and hosting a series of workshops to support community groups. A post dedicated to supporting community groups who are looking to

transfer assets or take on service delivery responsibilities has also been established.

- **Cardiff International Sports Stadium** – a Community Asset Transfer has been developed for this significant sports facility, with the transfer scheduled to take effect in August 2015.

Next Steps:

- **Implement the Corporate Asset Management Plan** following approval by Cabinet in July 2015.
- **Deliver an ambitious programme of property disposals** to reduce the property maintenance backlog and running cost of the estate, as well as generate significant capital receipts which will be used to reduce debt, assist in the modernisation of the remaining estate, provide new facilities, and help to support the revenue budget.
- **Finalise the implementation plan for the future management of the non-operational** investment estate for Cabinet consideration in 2015. This will develop an alternative delivery model to ensure the recommendations arising from a recent independent review of the estate are taken forward.
- **Accelerate community asset transfers** to ensure the sustainability and deliverability of community proposals for the future use of potentially surplus Council buildings or delivery of Council services which the Council no longer intends to provide.
- **End of Year (2015/16) target: Office buildings**
 - 6 offices in scope,
 - £1.7m anticipated Capital Receipt,
 - £350k Revenue reduction,
 - £1.4m Maintenance backlog reduction.
- **End of Year (2015/16) Target: Community Buildings**
 - 9 properties in scope,
 - £80k anticipated Capital Receipt,
 - £600k Revenue reduction,
 - £1.1m Maintenance backlog reduction.
- **End of Year (2015/16) Target: Schools estate**
 - 10 assets in scope for decision,
 - £250k anticipated Capital Receipt,
 - £9k Revenue reduction,
 - £97k Maintenance backlog reduction.

Aim

14. The Governance and Engagement Programme was created to ensure that the Council's governance arrangements were fit for purpose, supported good decision making and promoted greater accountability. The WAO Corporate Assessment identified key weaknesses in governance arrangements. Committee meeting minutes, for instance, were not being published in a timely manner, although decisions and minutes relating to the executive function were recognised as being routinely published. Other weaknesses included overly long agendas for Cabinet, scrutiny committees and the Audit Committee, individuals not being adequately held to account following service failures and delays in Cabinet responses to scrutiny reports. In light of the WAO Corporate Assessment, the programme addresses these issues, as well as wider issues such as citizen engagement through the Cardiff Debate and risk management.

Progress to Date

15. Improvements to **Democratic Arrangements** have included:
- Approving a revised Scheme of Delegations in July 2014, following a review, which focussed on the roles and responsibilities of Cabinet, Scrutiny as well as officer functions.
 - Establishing a structure for cross party working and collective leadership, with meetings of group leaders now established. This is in addition to the continuation of well-established whips meetings and arrangements are being brought forward for enhanced dialogue between the Cabinet and Scrutiny Chairs.
 - Commissioning a review of scrutiny by the Centre for Public Scrutiny (CfPS), which will report in the summer of 2015.
 - Ensuring the timely consideration of Scrutiny reports and Chairs' Letters by Cabinet, and the prompt publication of minutes and decision registers for non-executive meetings. The Council's investment in the "Modern.Gov" software platform will provide a greatly improved committee management function whilst helping to improve the accessibility of published agendas, reports, decisions and minutes on the Council's website.
 - Actively monitoring and challenging the level of compliance across the organisation with a focus on sickness absence procedure and procurement rules.
 - Reviewing the Council's disciplinary process and profile. Immediate improvement involved establishing a corporate process for capturing and

reporting disciplinary and grievance cases. This provided senior managers and elected members with visibility on the number of cases coming forward (by directorate), the time taken to investigate, and the outcomes determined.

16. **Strengthening public engagement-** The Cardiff Debate strengthened public engagement about budgetary options and choices. Key achievements included:

- Launching the Cardiff Debate in the summer of 2014 as a 3 year conversation with citizens, communities and partners regarding the future of public services in Cardiff. As part of the engagement programme, a range of ideas were explored as to how savings and income could be maximised. The public were also asked about which services matter most to them, which services need to be protected and how this can be best achieved.
- Delivering the first phase of the Cardiff Debate between June and September 2014, which involved 37 events in every ward and Neighbourhood Partnership area in the city. Venues attended included leisure centres, shopping centres, community buildings and local community events. The 'on-street' engagement sessions and 'drop-in workshops' were supported by council staff as well as colleagues from Cardiff & Vale University Health Board, South Wales Police and the third sector. Interest in the events was high with over 3000 postcards completed by people and over 6,600 votes cast for people's top three services. Health Services (12.9%), Education and Skills (9.8%) and Keeping Children Safer (9.5%) were identified as the areas of overall highest concern, although a range of specific issues were also identifiable at a community level.
- Inviting public, stakeholders and elected members to take part in "Vox Pops" and short film. This was then made available via social media, the Cardiff Debate website and also shown at Cardiff Debate events. A full report of the Cardiff Debate methodology and results of the Phase 1 engagement is available.
- Utilising the Cardiff Debate to undertake consultation on the draft budget as part of the 7 week consultation (21st November 2014 - 12th January 2015) on city-wide proposals. A consultation document was prepared to show proposals by neighbourhoods which enabled the collective community impact to be demonstrated.
- Holding 11 Community consultation events in each Neighbourhood Partnership area and with young people, 50+ Forums and the Cardiff Access Forum. To encourage a greater awareness of the budget consultation across Cardiff, the Council also used its networks, media contacts and distribution lists to potentially reach approximately 510,736 stakeholders. In addition, a short video on the '£124m' budget challenge was produced to raise public awareness of the need to deliver services in a different way in future.

- Engaging with over 500 people who attended events, 4,192 people who responded to the questionnaire, 766 correspondence, over 20,000 people via a signed petitions, 1 community poll and 91,418 visits via the Council's budget webpage.
- Publishing a full report of the results of the budget consultation, which was shared with the Council's Scrutiny Committees and Cabinet, leading to a number of changes being made to the final budget agreed by Council on 26 February 2015.

Next Steps

- Following publication of the 2015-17 Corporate Plan, the Scrutiny & Audit Committees will be supported to prepare work programmes with a clear focus on the Council's priorities.
- Undertake further action to improve agenda management, report quality, and professional officer advice to scrutiny committees, ensuring parity of quality control in the preparation of reports for scrutiny & cabinet.
- Establish a clear plan for the future development of scrutiny, which is owned by members and builds on CfPS review.
- Build on the Cardiff Debate and secure improvement in the Council's public facing communication.
- Provide a clear approach for supporting Member Development, with activities including:
 - Finalising a programme of mandatory (e.g. Code of Conduct; Corporate Parent/Safeguarding role of Councillor; Information Management) and topic specific Member sessions (e.g. next phase of Network Councillor) for 2015/16.
 - Ensuring a Task & Finish Group reviews the 2014/15 programme of Member Development.
 - Reviewing the delivery of training with eLearning options through the Wales Academy and Cardiff Academy.
 - Providing Webinar sessions, available through the Member Library.
 - Progressing an on-going programme of individual appraisals with the Director of Governance and Legal services.

Aim

17. The Strategic Commissioning programme will ensure that the Council has a more consistent and evidence based approach to the design and delivery of services that address the needs of communities and citizens. The new approach will enable an objective assessment of need whilst identifying how best to deliver priority outcomes. The programme therefore explores a “mixed economy” of provision, involving in-house delivery, community led delivery, and delivery which is commissioned in the open market. In response to the publication of the WAO Corporate Assessment, this programme was expanded to address financial stability more directly.

Progress to date

18. **The Alternative Delivery Model (ADM) Assessment Tool** has been developed to allow the Council to consistently evaluate ADM options. This has been used to identify the most appropriate delivery model for the infrastructure group of services, which will be progressing to a Cabinet decision in quarter 2 of 2015.
19. **Commissioning of Leisure and Culture ADM** –as part of the Council’s approach to seeking the delivery of discretionary services at minimum Council subsidy, service reviews were carried out in both Leisure Services and Cultural Services to identify options for future delivery. In both cases, these have progressed to the procurement stage. Decision points on both of these significant procurements will be reached in October 2015. The work undertaken has been in addition to the on-going commitment to the delivery of services and demanded extensive corporate resource. Project Board meetings were established and have been running fortnightly since June 2014, supported by a Project Team which has been operational since October 2014. A working group involving legal and procurement support was also established. Progressing the work to the procurement stage demanded the mobilisation of legal and procurement resource and placed demands on many of the organisation’s enabling capacity to address a number of complex issues that have represented new challenges for the authority. The work undertaken to date is likely to help inform the development and progression of other alternative delivery models.
20. **Sports Development** is no longer being provided directly by the Council, but rather is being provided by Cardiff Metropolitan University through a service partnership.
21. **New model for Youth Services** – the Council is commissioning services, including young people in the process, via a number of Youth Innovation Grants. Organisations must demonstrate innovative approaches to open access provision that improve outcomes and include young people in designing services based on their needs. This will enable the Council, along with other changes to the youth service, to deliver youth provision from 6 Youth Activity Centres, reducing the number of Council assets, and realising savings.

22. A **service review methodology** has been agreed to ensure that each service is subject to consistent review, helping ensure that the most effective form of service delivery is in place. Reviews have been completed for Infrastructure Services, Leisure, Culture and for Finance/HR/ICT.
23. Approved a **new model for the delivery of library services** across the city.

Next Steps

- Work is well advanced with **supporting alternative delivery models and opportunities for community asset transfer**, and the immediate priority is to progress these work streams to completion. Key decision points will include:
 - Infrastructure ADM – July 2015;
 - Leisure ADM – December 2015;
 - Culture ADM – December 2015;
 - Heritage Trust – December 2015.
- **A service review programme** will be implemented to ensure that a manageable programme of reviews covering the whole council is completed in a reasonable time frame.
- **Adult Services Commissioning Strategy** will be established to facilitate release of saving. It is anticipated that the Strategy will address “quick win” opportunities, as well as some longer term procurement activity necessary to secure best value for spend in this area.
- **Strategic Commissioning & Procurement Strategy** will be prepared for 2016-19 to enable the Council to have a clear understanding of its commissioning and procurement priorities and objectives, with effective management of their delivery.
- **Implementation of the Libraries Strategy.**

Portfolio: Enabling and Commissioning Services
Programme: Commercialisation & New Income

Aim

24. The Commercialisation & New Income Programme will enable the Council to secure significant additional net income by systematically identifying and exploiting commercial opportunities, such as trading existing services.

Progress to Date

25. Of all ODP programme this is perhaps at the earliest stage of development. Research has been undertaken into both the opportunities and limitations presented by trading, and a framework for commercial development has been identified. It is clear from this work that evolving into a more commercially minded organisation will require focused attention on culture change, risk appetite, and skill development. Initial awareness raising has been included in the Cardiff Manager Programme, and more formalised training will now be developed. Initial commercial opportunities have been identified and work is ongoing to develop these into practical, surplus generating, exemplars. These include:

- Alarm Receiving Centre, which is set to commence in July, with projected income in 2015/16 of £800k.
- Cardiff Works, the Council's current in-house temp agency, where the potential to provide temps for other organisations has been identified.
- Bereavement Services providing highly valued services at lower cost, whilst enabling income generation to be reinvested in the service. Further opportunities are also being identified.

Next Steps:

- **Establish a Commercial Company** into which to migrate selected services in order to maximise the opportunities for trading.
- **Establish a Website / trading window** which will include an e-commerce model that allows on-line payments and provides an effective "shop window" for commercial services.
- **Operationalise** the commercial exemplars identified above.
- **Establish a culture change and training programme** to facilitate the creation of a commercial mind-set among key services.
- **Establish income related targets** as part of the Council's budget strategy.
- **Enhance the role of Investment Review Board** to facilitate the commercial development of the Council as appropriate.

Portfolio: Reshaping Services
Programme: Customer Focus & Enabling Technology programme

Aim

26. The Customer Focus & Enabling Technology programme will establish and exploit technology (such as the SharePoint collaboration software and the Customer Relationship Management model) across the Council to maximise the capture and use of customer data. The aim is to drive down the cost of delivering service, improve quality and consistency of customer service and eliminate unnecessary duplication of effort through a rigorous integration of “back office” processes.
27. At its core, the work will establish both IT solutions and behaviour changes in service delivery to ensure that useful data about customers is captured and used to improve service delivery. It also seeks to ensure that similar functions are delivered through unified systems to improve customer experience, reduce duplication and drive down cost.

Progress to Date

- **Target Operating Model:** Delivery across the model has required investment in a range of enabling technologies such as Customer Relationship Management, Mobile Scheduling, and Document Management software. Additionally, the model involves enabling people to access more services on line. This is not only rapidly becoming the channel of choice for the public, but is also substantially more cost effective than e-mail, phone or face to face contact.
- **Developed and approved a business case for investment in Customer Relationship Management (CRM) software**, with CRM to be live in C2C from September 2015. This will enable a significant improvement in customer experience, with greatly improved capture and utilisation of data as well as the ability to effectively track customer requests from initial contact to completion. A phased roll out across the organisation will then take place.
- **Re-launched the Council’s website**, which was subsequently awarded 4 stars in a SOCITM Better Connected Survey. The Cardiff Council site is the only 4 star rated website in Wales. By way of context, two years ago, the website was awarded 1 star status.
- **Facilitated online payment** of Council Tax bills.
- **Commenced roll out of Mobile & Scheduling technology.**
- **Adopted a Community Hub Strategy and continued to implement the community Hub Programme.** In June 2014, the Ely/Caerau Hub opened bringing together a variety of public services (Library, Housing, Into Work and partner services) into one purpose built facility. Since its opening, the

hub has received 110,000 visitors with 6,000 customers receiving advice regarding Benefit matters, and 900 new library users signed up. The Hub programme is still ongoing and plans are in place to open hubs in Grangetown, Splott, Llandaff North and Fairwater, and for an extension to be provided at the existing hub at St Mellons. This is also in addition to the development of a Community Partnership Hub in Rumney and the City Centre Super Hub.

Next Steps

28. Going forward, work will focus on developing a range of unified channels for customer contact based on customer requirements, and using the customer and community intelligence to inform future service development. All activity undertaken will be aligned with the five key principles for 'One Council' change, which include:
- The citizen at the heart of everything we do;
 - Consistent quality whatever service or channel a citizen chooses;
 - Decisions are made to provide maximum benefit for the whole Council;
 - Common business activities should be done in a common way;
 - Information is an asset that has measurable value to the Council.
29. Key deliverables will include:
- **Online Services (CRM & Web)** - Implement the first phase of CRM including self-service capability and organisational roll out, together with functional development of the website to deliver a unified customer and channel experience for customers, including self-service.
 - **SharePoint (Document Management)** - Drive the roll out of SharePoint EDRMS model aligned to corporate priority areas to support document and record management and manage all additional supporting capabilities delivered via SharePoint platform.
 - **Income Management** - Develop a standardised income management approach, including migrating Capita payments to pay.net and improvements improvements to chip & PIN payments and technology.
 - **Debt Management** - Implement One-step debt management technology to bring post-warrant PCN notice debt collections in-house in order that the relevant fees may be retained by the Council.
 - **Customer Services Strategy** - Produce a Corporate Customer Services Strategy for all customer-facing activity across the organisation including all required governance and deliver models.
 - **Hub Delivery** - Manage all aspects of the delivery of the Community Hubs Programme through the exiting Hub Programme Board.

Portfolio: Reshaping Services

Programme: Reshaping Services for Vulnerable Adults

Aim

The aim of the programme is to provide a focus on demand management and service reshaping in relation to assessment & care management, hospital discharge, service gateway, self-service, accommodation and deployment of mobile & scheduling technology across health & social care services. The programme will also consider further opportunities, such as brokerage and back office improvements, delivering changes that will help increase the sustainability of health and social care services within the framework of the medium term financial plan.

Progress to Date

- A single **Gateway to independent living services** for citizens over the age of 60 has been established, enabling a wide range of services that were previously separate to become accessible through a single Gateway. Following successful staff recruitment and training the Independent Living Services with a now multi-skilled visiting element that would have previously required several separate visits and demonstrating more joined up services.

IT Systems have been updated to accommodate recording the visit, the holding of documentation and the provision of management information. This data capture maintains a client profile to assist with the provision of flexible services that will develop as the needs of the individual change. Meanwhile, the administration element of the Visiting Officers role has been streamlined significantly.

The process of integration with partners has added value to services that were previously separate as customers now receive a fully holistic service, further supporting people to maintain their independence and live in their own home. This can be demonstrated in feedback received from customers, with 90% advising that the work through the Gateway has left them feeling more able to remain in their own home with increased independence.

- **Assessment and Care Management (ACM) Business Process Review:** The production and approval of a process review provided an overview of the existing processes mapped against the new organisational model. The review set out the direction of travel to achieve the new model of working, breaking delivery into manageable projects and work packages. Identified deliverables included; delivering a budget saving of £761k in 2015/16, providing value for money, meeting the needs of citizens and meeting the requirements of the Social Services & Well Being Act (Wales) 2014.

- **Reablement Home Carers Mobile Working & Scheduling:** This project was established to improve the efficiency of the service to enable growth to be achieved and release financial and non-financial benefits. Mobile and scheduling solutions are designed to aid scheduling co-ordinators by automatically scheduling home care visits and ensuring that certain criteria are met, such as the nearest home carer, appropriate gender match, religion or language. Amongst other things, this reduces mileage time for carers, ensuring the percentage of contact time with the service user is increased. As the project nears its Go Live date, it has already achieved the following:
 - Replacement of the unsupported scheduling system (Care time) with the integration of new technology (DRS and Total Mobile) to the Care First system.
 - Allowed the release of 3.5 FTE Home Care Managers creating a cost saving of £119k.
 - An increased number of assessments completed in a week.
 - A reduction in paper work and creation of integrated and shared documentation (IA Forms) with other areas in Health & Social Care.
 - Improvement to systems and process including their administration, improving efficiency.

Next Steps

30. A significant challenge moving forward will be enabling the delivery of sustainable social care services within the current financial climate that provide the appropriate levels of care and support to those who need it. Key to this will be development of preventative services, promoting independence and reablement, and consolidating common functions, such as access channels and back office functions. Key deliverables will include:
- **Preventative Intervention Services Project-** This will build on work started in 2014/15 to transform the older person's services model in line with Welsh Government Policy and strategic aims for Social Services. A coordinated approach will be adopted to improve the accessibility of preventative services whilst reducing duplication, enhancing population reach and shifting emphasis away from reactive services that promote dependency towards supporting prevention and enabling.
 - **First Point of Contact ACM** – The First Point of Contact will build on the excellent progress made by the Gateway. It will further simplify and streamline the first point of contact for adult health and social care prevention and well-being service requests by the citizens of Cardiff, and will be a key element within the Preventative Intervention Services Project. The First Point of Contact will be delivered initially within Cardiff across Council and Health services and, subsequently, will be linked to the Vale of Glamorgan's First Point of Contact facility.

- **Reablement Home Carers Mobile Working & Scheduling** – Work will include User Acceptance testing, DRS training and carer Total Mobile training, followed by the Go Live and roll out from late September 2015.
- **Proof of Concept for Agile and Mobile Working** - Supporting the wider Agile Mobile Working in Social Care, this proof of concept will pilot new ways of working for a limited period and use the learning to develop the blueprint design, business case and delivery plan for implementing specific technology solutions.
- **Agile and Mobile Working for Social Care** – this will assess and implement changes that improve the opportunities for agile and mobile working across social services, reducing non-value adding activities, such as travel time and double-handling of information, improving the effectiveness of the service and its operations. As a result of this work the amount of office space required will reduce, thus supporting the vacation of Global Link by 31st March 2016.
- **Care First improvements** – this will deliver a suite of improvements to the current Care First software to improve efficiency. Improvements include the development of Care Finance, data cleansing and reporting improvements and Care First support functions.
- **Hospital Discharge** – work will be undertaken to improve and speed up the hospital discharge process and reduce instances of ‘bed blocking’.
- **Further ACM improvements** - further improvements have been identified in areas such as reducing the number of internal and external forms used in partnership with Integrated Assessment development, process improvements to make the service more lean, increase uptake of direct payments, staff training and development and support performance management.

Portfolio: Reshaping Services

Programme: Reshaping Services for Vulnerable Children

Aim:

31. The aim of the Reshaping Services to Vulnerable Children Programme is to develop projects that deliver improved outcomes through closer working across services in relation to supporting vulnerable families, Adolescent Resource Centre, Multi-Agency Safeguarding Hub (MASH), services for disabled children and young people, accommodation & support for children, and business process improvements.

Progress to Date:

32. **Children's Services Business Process Improvement** - To date, the project team have analysed information gathered through workshops, service meetings, KPIs, surveys, job shadowing and other activities in order to understand the current position within the directorate.
33. A Value Stream Analysis (VSA) took place on the 2nd and 4th March 2015. Using a range of lean tools, the project team were able to identify the main issues faced across the directorate and start to highlight where inconsistencies and inefficiencies were present. The VSA resulted in a priority plan of processes that need to be reviewed to provide efficiencies and improvements, and of individual activities that will achieve positive outcomes across the service. These processes are being taken forward in Rapid Improvement Events.
34. A Looked After Children review process Rapid Improvement Event (RIE) was held on the 19th and 20th May 2015, enabling the Looked After Children (LAC) review process to be redesigned in a manner that is more efficient. In the new process, Social Worker administration is reduced and the Independent Reviewing Officer administration is simplified. The elimination of unnecessary steps, forms and reports will reduce the timescales for the completion of the process activities and assist in the achievement of statutory timescales, KPIs and better outcomes for young people.
35. Realignment proposals were presented to the Director in May 2015 which recommend changes to processes and team structures that will enable the service to make savings required within this year's budget review. The proposals are based on the realignment of teams and the resultant release of 14 posts. The proposals provide potential savings of £285k FYE.
36. **Accommodation & Support Strategy** – consultation has taken place with providers and key stakeholders on the working approach. An overarching mandate has been established for all Accommodation & Support Strategy work to:
- Ensure a single access point for services "Gateways" to ensure most efficient use of resources
 - Achieve a greater understanding of need
 - Provide the right mix of accommodation types

- Develop clear pathways – structured journey to independent living wherever possible
 - Develop specifications for commissioning
 - Identify opportunities for savings
37. Five separate projects have been established to take the work forward and consultation groups have also been set up with representatives of service providers to support the work of the projects. The consultation groups will consider proposals from the projects and put forward suggestions and ideas for best practice. The groups will assist with defining services and monitoring arrangements. The work of the projects and consultation groups will be phased in order to minimise the demand for resource for both providers and the Council. Three of the groups have met, agreed terms of reference and provided feedback on proposals and key issues.
38. The work of the first project– looking at services for Young People – is well advanced. Separate working groups involving Children’s Services and Housing & Communities have been established to take forward specific aspects of the Action Plan. The work of this project is acting as a template for the remaining projects.
39. **Children’s Services partnership projects** - The Services for Vulnerable Children Programme Board was established in March 2015 and brings together a collection of related partnership projects. Whilst these projects are in a relatively early stage of development, progress made to date includes:
- **Vulnerable Families Phase 1** – A project team has been established to identify those families which require support and interventions from a number of statutory and third sector partners. The aim is to develop an integrated approach to maximise resources, reduce costs and provide a more effective joined up service for families. The project has developed links with English local authorities and is looking to mirror the approach utilised as part of the English Troubled Families initiative. Work is ongoing to establish baseline data to map key indicators of family interventions and to develop Information Sharing Protocols across partner agencies.
 - **Adolescent Resource Centre** - progress has been made on development of the service specification, which will lead to the development of the business case.
 - **Remodelling Services for Disabled Children** – A new Disabled Children & Young People’s Steering Group has been established as a multi-agency stakeholder group to advise the Executive Group of the Local Safeguarding Children’s Board. The group will be convened on a Cardiff and Vale of Glamorgan basis by the Cardiff and Vale UHB and will seek to undertake mapping of local needs and services to inform current and future demand and support increased integration of services. A jointly funded Co-ordinator’s role (between Cardiff and Vale of Glamorgan local authorities and the UHB) has also been advertised and is currently being recruited to.

- **Multi-Agency Safeguarding Hub (MASH)** – The MASH is a first point of contact for new safeguarding concerns and aims to improve the sharing of information between agencies, helping to protect the most vulnerable children and adults from harm, neglect and abuse. Partners involved include Social Services, Education, Housing, South Wales Police, Domestic Abuse Providers, Probation and Cardiff & Vale UHB. With joint funding from South Wales Police, the potential location for the MASH has been identified and the MASH Project Manager post is currently out to advert. Links have also been made with the Cwm Taf MASH project to share lessons learned and accelerate implementation.

Next Steps:

- **Children’s Services Business Process Improvement** - A Rapid Improvement Event examining financial processes across Children’s Services is scheduled for 14th and 15th July. A further event focussing on the training and development function is planned for the autumn. Further work and analysis is currently underway in Finance, Training and Development, Fostering, OM Support and the Youth Offending Service. Implementation of the realignment proposals, will be authorised by the Director of Social Services.

Further analysis will be undertaken to identify opportunities to streamline functions across social care services (and more broadly where appropriate) which will be of particular significance following the change in organisational structure of this area.

- **Accommodation & Support Strategy** - terms of reference for the two remaining consultation groups are being developed. Detailed action plans are being developed and delivered for each project. An internal project team to manage the projects has been established and an approach to service user involvement is also being developed following input from consultation groups.
- **Vulnerable Families Phase 1** - Data analysis element will require commitment across partners to enable the establishment of an Information Sharing Protocol and subsequent sharing of data to develop the profile of families in Cardiff.
- **Adolescent Resource Centre** - service specification to be developed by August 2015, followed by the Full Business Case which will be submitted to IRB in September 2015.
- **Remodelling Services for Disabled Children** - co-ordinator to be appointed, who will develop the detailed delivery plan and manage its implementation, with delivery anticipated by March 2016.
- **Multi-Agency Safeguarding Hub (MASH)** – project manager to be appointed, who will develop and manage delivery of the implementation plan. It is anticipated that the MASH will be established by May 2016.

Portfolio: Reshaping Services
Programme: Reshaping Infrastructure & Neighbourhood Delivery

Aim:

The Reshaping Infrastructure & Neighbourhood Delivery will ensure that major services which account for a significant proportion of the Council's budget are delivered from the lowest financial base whilst achieving key service delivery outcomes. Key projects in scope include delivering the Neighbourhood Services project, establishing an appropriate Infrastructure ADM and rationalising associated back office arrangements. It will also assess opportunities for benefits that could be achieved through implementation of mobile working and / or scheduling technology and implement changes as appropriate.

Progress to Date:

- **Development of Alternative Delivery Model for Council Infrastructure Services.** Infrastructure services account for approximately £72.8m of the Council's gross expenditure for services. Progress has included:
 - **Stakeholders engagement** including Cabinet Members, Senior Management team, key senior officers within Corporate Support Services (Finance, Human Resources, Procurement, Legal, Scrutiny), Operational Managers for the services in scope of the project, staff from the services in scope of the project, Trade Unions, other local authorities and external organisations.
 - **Challenge workshops** to assist in the review and completion of individual service reviews used to set out their current situation and to highlight strengths, weaknesses, opportunities and threats for specific areas of service. These service reviews were also subject to challenge from Scrutiny and the Trade Unions, subsequently being amended to reflect their feedback
 - **External engagement** with other local authorities and organisations, to gain a better understanding of the benefits, risks and complexities of the ADMs under the consideration of the project.
 - Commissioned an initial **benchmarking** and performance comparison report from IESE for a number of key services in scope
 - **Approval of Cabinet Report providing authorisation** to produce an Outline Business Case that would consider five models.
 - Completion of **Prior Information Notice exercise**
 - Appointment of an **Independent Body** to challenge the OBC and appraisal methodology
 - Development and application of ADM **appraisal methodology**
 - **Completion of options appraisal** and **Outline Business Case**, which has been presented to Cabinet
 - Proposals in place to finalise the Business Case

- **Neighbourhood Services:** Work has been undertaken to ensure that Council Services can respond quickly to community needs. Council departments- including parks, street cleansing and waste enforcement- have therefore been aligned around a new Neighbourhood Services model in the South West area of Cardiff. Results from this trial have shown that this new joined up approach has helped deliver a reduction in litter and fly-tipping, tackled incorrect waste disposal issues and also delivered cost savings for the Council by reducing the fuel usage and travel time of Council staff. Since February of this year, areas including Ely, Caerau, Riverside and Canton have been the first to benefit. Results from the trial include:
 - Reduction in litter and fly-tipping,
 - Tackled incorrect waste disposal,
 - cost savings for Council of approximately £800k,
 - Service Areas support each other,
 - LEAM results show positive signs.

Key milestones to date include:

- Various workshop with operational staff, management and other stakeholders have been undertaken to agree the structure and future model, processes and timeline,
- The Neighbourhood Pilot went live on the 2nd February in the South West Area (Ely, Caerau, Riverside and Canton). The review of processes since undertaken has identified and agreed a “roll out” plan.
- Further work-streams have been identified for enforcement with processes, issues and future state modelling undertaken,
- Back office support Rapid Improvement Event – operational ‘as is’ position, processes, issues and future state modelling undertaken
- 60% of budget savings associated to the project in 2015/16 have been secured, with further work-streams to deliver the remaining target amount.

Next Steps:

- **Infrastructure ADM**
 - **Cabinet approve outline business case (OBC)** for Infrastructure Services Alternative Delivery Model.
 - **Cabinet and (Council, as needed) approve Final Business Case (FBC)** for Infrastructure Alternative Delivery Model.
- **Neighbourhood Services**
 - Assess the pilot and plan the roll out of the Neighbourhood Services project improving the in-house service provision and finalise savings totalling £1.6M in 2015/16, including City Operations enforcement back office and administration rationalisation and completing the planning phase by the end of July 2015.

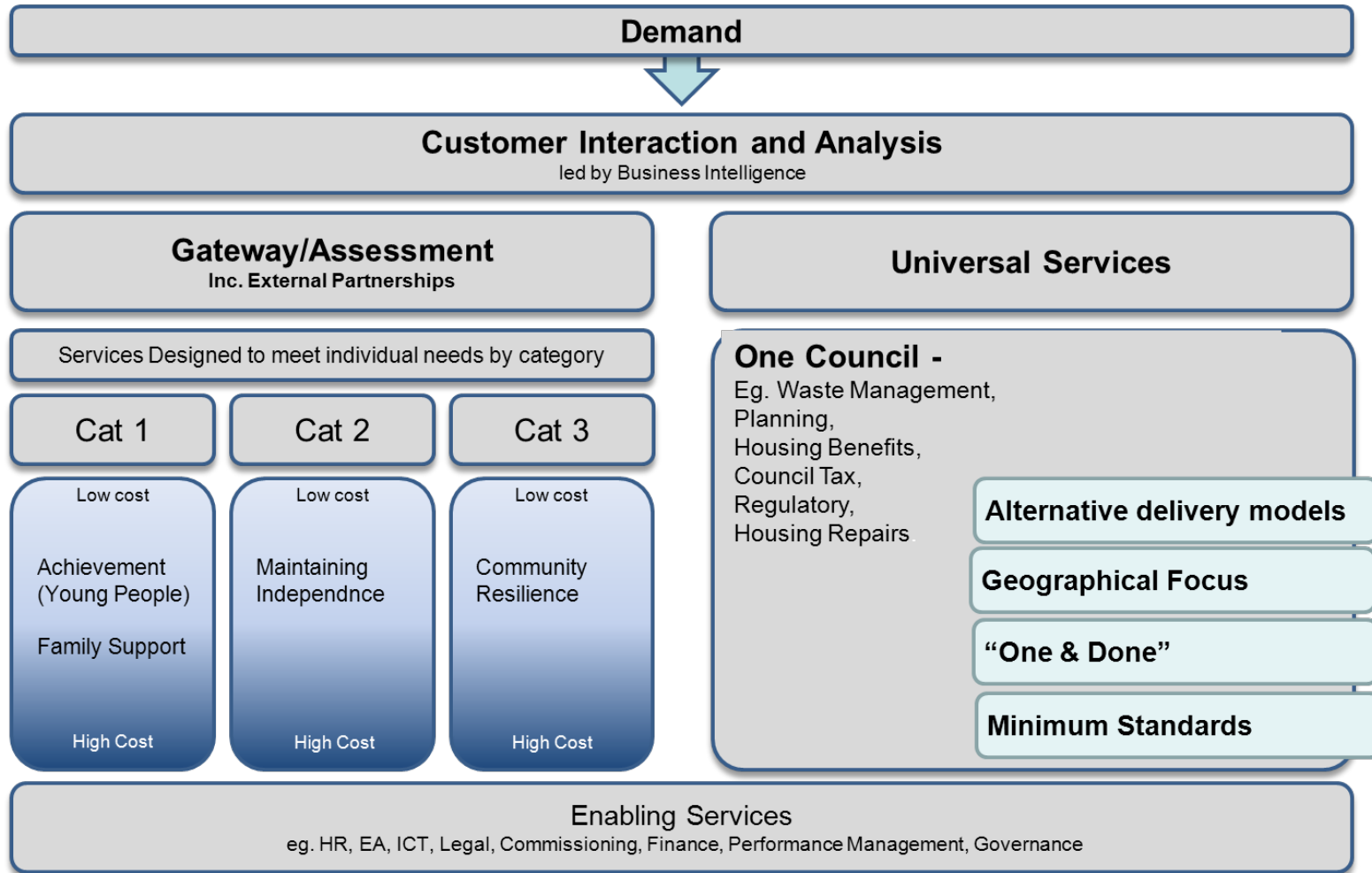
- Deliver the roll out to all neighbourhoods of the Neighbourhood Services approach in parallel and coordination with the recycling and waste collection service changes and back office efficiencies across City Operations with appropriate enabling ICT development in place, by end of quarter 3, 2015/16

- **Outline Business Case for Mobile Technology** - OBC for the use of technology, within Cleansing, looking at potential cross over and usage in City Operations.

- **Directorate Management and Support Services** - Implementing a new back office and management structure across City Operations to support the Directorate and Neighbourhood Services Project and Infrastructure ADM moving forward.

- **Workforce planning and Role Profiles** - New Job Evaluation Questionnaires roles and agreement with Staff and Unions for Neighbourhood Structure.

Target Operating Model



Appendix 3: ODP Time-Line of Key Strategic Milestones

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
<p>2015/16 Q2</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 148</p>	<p>Assets & Property</p> <ul style="list-style-type: none"> • Corporate Asset Management Plan approved • Howardian Starter School Complete • Four Wards Welsh Satellite School Complete • Tender awarded for Eastern High School • Finalisation of partnership arrangements for Cardiff International Sports Stadium <p>Improvement</p> <ul style="list-style-type: none"> • Performance Management training undertaken with Cabinet & Scrutiny Committees; • Balanced Scorecard rolled out across Council • Liveable City Report published • Social media strategy launched • Employee Survey 2015 results available <p>Corporate Commercialisation</p> <ul style="list-style-type: none"> • Corporate Commercialisation strategy approved • Commercial Trading Company established • Open Alarm Receiving Centre <p>Governance & Engagement</p> <ul style="list-style-type: none"> • Modern.gov fully implemented ensuring effective management of reports, minutes, registered, etc. • Effective safeguarding processes in place, and members understand their responsibilities; • Alignment of Scrutiny & Cabinet forward work plan • Webcasting of Committee Meetings to commence – Planning & Regulatory 	<p>Customer Focus & Enabling Technology</p> <ul style="list-style-type: none"> • SharePoint live in C2C, Audit & OD & Children’s Services • CRM Phase 1 go live: contact centre using C4C, portal functionality established for initial ‘Report It’ function • Grangetown Hub – open • City Centre Hub – open (enabling c.£400k saving) <p>Infrastructure & Neighbourhood Services</p> <ul style="list-style-type: none"> • Cabinet approve Outline Business Case for Infrastructure ADM • Neighbourhood Services: expansion of SW trial to West of city <p>Services for Vulnerable Adults</p> <ul style="list-style-type: none"> • First Point of Contact live for Council services • Mobile Working & Scheduling in Reablement: User Acceptance Testing and DRS training complete, transition planning complete • Proof of Concept for agile working complete <p>Services for Vulnerable Children</p> <ul style="list-style-type: none"> • Business Support Process Review – implement new arrangements • Adolescent Resource Centre – Full Business case

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
	<p>Services</p> <ul style="list-style-type: none"> Refreshed Member Development programme established <p>Strategic Commissioning</p> <ul style="list-style-type: none"> Corporate ADM Methodology and Toolkit approved. Establish Adult Social Care Commissioning Project 	
2015-16 Q3	<p>Assets & Property</p> <ul style="list-style-type: none"> Fitzalan School Science Block Complete Non- Operational Estate –Plan approved by Cabinet Office Accommodation Review – Cabinet Decision <p>Improvement</p> <ul style="list-style-type: none"> WAO Corporate Assessment Complete Cardiff Manager Programme Phase 1 <p>Governance & Engagement</p> <ul style="list-style-type: none"> Approve new scrutiny arrangements arising from CfPS review Cardiff Debate – Budget Consultation <p>Strategic Commissioning</p> <ul style="list-style-type: none"> Leisure ADM Cabinet Decision Arts ADM Cabinet Decision Cardiff Heritage Trust Business Case- cabinet Approval 	<p>Customer Focus & Enabling Technology</p> <ul style="list-style-type: none"> SharePoint phase 3 – live On-line payment live via Pay.gov Debt management: One-step Phase 1 roll out (income generating) Customer Management Strategy approved Grangetown Hub – open <p>Infrastructure & Neighbourhood Services</p> <ul style="list-style-type: none"> Neighbourhood Services city wide roll out (main contributor to enable £1.6m savings target) <p>Services for Vulnerable Adults</p> <ul style="list-style-type: none"> First Point of Contact integration with Health services Mobile Working & Scheduling in Reablement: Go Live roll out and embedding (£295k FYE savings, based on 0% service growth) Results of housing Market Assessment for older people available

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
		<ul style="list-style-type: none"> • Day Opportunities Strategy <p>Services for Vulnerable Children</p> <ul style="list-style-type: none"> • Children’s Accommodation & Support Strategy – Commence Procurement
<p>2015-16 Q4</p>	<p>Assets & Property</p> <ul style="list-style-type: none"> • SAP Asset management Solution business case approved • Pontprennau Primary School Complete • <u>End of Year target: Office buildings</u> <ul style="list-style-type: none"> – 6 offices in scope 	<p>Customer Focus & Enabling Technology</p> <ul style="list-style-type: none"> • SharePoint phase 4- live • Income Management: Chip & PIN improvements roll out commences

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
	<ul style="list-style-type: none"> - £1.7m anticipated Capital Receipt - £350k Revenue reduction - £1.4m Maintenance backlog reduction • <u>End of Year Target: Community Buildings</u> <ul style="list-style-type: none"> - 9 properties in scope - £80k anticipated Capital Receipt - £600k Revenue reduction - £1.1m Maintenance backlog reduction • <u>End of Year Target: Schools estate</u> <ul style="list-style-type: none"> - 10 assets in scope for decision - £250k anticipated Capital Receipt - £9k Revenue reduction - £97k Maintenance backlog reduction • Commissioning and Procurement Strategy (2016 – 2019) approved 	<p>Infrastructure & Neighbourhood Services</p> <ul style="list-style-type: none"> • Neighbourhood Services new structures go live • City Operations back office and performance restructure • Outline Business Case for Mobile Working & Scheduling in Neighbourhood Services <p>Services for Vulnerable Adults</p> <ul style="list-style-type: none"> • CareFirst improvements delivered (inc. data cleansing, CareFinance) • Mobile Working & Scheduling in Reablement: Go Live roll out and embedding (£295k FYE savings, based on 0% service growth) • Agile working project phase implementation to enable vacation of social care staff from Global Link <p>Services for Vulnerable Children</p> <ul style="list-style-type: none"> • Commence phased delivery of remodelled services for children with disability;

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
2016-17 Q1	<p>Assets & Property</p> <ul style="list-style-type: none"> • Global Link vacated <p>Corporate Commercialisation</p> <ul style="list-style-type: none"> • Commercial Model established for: <ul style="list-style-type: none"> – Cardiff Works – Alarm Receiving Company – Bereavement • New Income streams available <p>Improvement</p> <ul style="list-style-type: none"> • Credible Benchmarking information included in all Directorate Delivery Plans 	<p>Customer Focus & Enabling Technology</p> <ul style="list-style-type: none"> • SharePoint phase 5 – live • Debt Management: One-step Phase 2 roll out commences (income generating) • STAR Hub – open • Fairwater Hub - Open <p>Infrastructure & Neighbourhood Services</p> <ul style="list-style-type: none"> • Infrastructure ADM agreed solution – commence implementation of preferred model (£4.3m savings anticipated over the MTFP) <p>Services for Vulnerable Adults</p> <ul style="list-style-type: none"> • First Point of Contact integration with Vale of Glamorgan <p>Services for Vulnerable Children</p> <ul style="list-style-type: none"> • MASH – Go live • Remodelling services for children with disability – Complete

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
<p>2016-17 Q2</p>	<p>Assets & Property</p> <ul style="list-style-type: none"> • Adamsdown Primary School Complete • Coed Glas primary School Complete • Ysgol y Wern School complete • Secure WLGA Member Charter <p>Strategic Commissioning</p> <ul style="list-style-type: none"> • Leisure ADM –Operational • Arts ADM –Operational <p>Improvement</p> <ul style="list-style-type: none"> • Employee Survey 2016 	<p>Customer Focus & Enabling Technology</p> <ul style="list-style-type: none"> • CRM – enhanced “Report It” functions go live • SharePoint phase 6 – live • Llandaff North & Gabalfa Hub - open <p>Services for Vulnerable Adults</p> <ul style="list-style-type: none"> • Agile working project fully deployed

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

CORPORATE ASSET MANAGEMENT PLAN

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT

AGENDA ITEM: 5

**PORTFOLIO: CORPORATE SERVICES AND PERFORMANCE
(COUNCILLOR GRAHAM HINCHEY)**

Reason for this Report

1. To enable the Cabinet to consider and approve the Corporate Asset Management Plan (CAMP) for 2015-2016.

Background

2. In November 2014 the Council, for the first time, adopted a Corporate Property Strategy, which has set a clear framework within which all property related issues can be addressed in a structured manner. The CAMP will act as the implementation vehicle for the Corporate Property Strategy, and will be produced annually. It details key data relating to the council's property estate; it sets out a summary of the objectives for the forthcoming year; a review of the state of the council estate; a brief analysis as to what was achieved over the past 12 months; and a summary of what will be done over the forthcoming year.

Issues

3. Property asset management is a key strategic activity which aligns business and property strategies; ensuring optimisation of property assets in a way which best supports the organisation's key business goals and objectives. The CAMP will be a dynamic document as a result of the ongoing Council service changes and requirements.
4. The requirement for asset management is based on treating property as a corporate resource because it:
 - Costs money to use and maintain
 - Is fundamental to the delivery of effective Council services.
 - Has inherent value, so commercial and community aspirations need to be balanced accordingly.
 - Supports affordability of the Council's Capital programme and Investment initiatives approved at a County Wide strategic level

5. The CAMP provides a snap shot at a given point in time. Asset management is a dynamic operation derived from service business plans.
6. The CAMP identifies targets for this financial year and is directly aligned with the ODP and Corporate Plan to ensure delivery of the long term targets agreed within the Corporate Property Strategy:
 - Realise £10m in Capital Receipts by 2018
 - Reduce operational GIA (Gross Internal Area) by 10% by 2018
 - Reduce the running cost of operational buildings by £2m by April 2018
 - Reduce the maintenance backlog by £12m by April 2018
 - Undertake 10 partnership / collaboration projects by 2018.
7. The CAMP will be implemented through the Asset Management Board. The Board, chaired by the Chief Executive, provides strategic oversight across the estate. It co-ordinates a range of interrelated initiatives to ensure better alignment of the Asset Management Plan to the Corporate Plan and to provide a Council wide, corporate and structured approach to the management of property. Alternate meetings of the Board are attended by senior officers from other major property occupying public sector organisations based in the city to explore opportunities to promote collaborative use of buildings and land. The Board is supported by the Asset Management Working Group, a forum of senior officers drawn from across property occupying Directorates, who assess in more detail opportunities to make more efficient cost effective use of property.
8. The schedule of properties which supports the CAMP will be informed by Fitness for Purpose Assessments of all the assets and these will be classified using a RAG status, with red properties prioritised for further consideration and action. Investment strategies and the disposals programme will also feature prominently.

Conclusion

9. The Corporate Asset Management Plan sets out objectives regarding the estate, key outcomes and future actions. Significant challenges lie ahead which can be encompassed in the Property Strategy strapline of “Fewer but Better Buildings” – achieving a leaner and fitter estate with all the efficiencies and capital receipts associated with such a strategy.

Reasons for Recommendations

10. To enable Cabinet to consider current asset management progress and initiatives.

Legal Implications

11. Welsh Government Guidance requires all local authorities in Wales to have Asset Management Plans which are to relate to property held by Councils, including land and buildings which provide a public service,

operational premises, non-operational surplus property and road infrastructure

Financial Implications

12. This report has no direct financial implications. Property assets used by the Council influence a significant part of service delivery and also form a large part of the revenue and capital budget of the authority. A sustainable and efficient property portfolio, based on a Corporate Asset Management Plan, will result in savings in expenditure and allow prioritisation of limited resources to assets essential in delivering improved services.
13. Property assets used by the Council influence a significant part of service delivery and also form a large part of the revenue and capital budget of the authority.
14. The budget report 2015/16 highlighted the need for the Council to make savings. The release of property, based on a Corporate Asset Management Plan, will result in savings in revenue expenditure from the operating costs of holding property and allow prioritisation of limited resources to assets essential in delivering improved services.
15. The budget report has also consistently highlighted the need for the Council to undertake additional borrowing in order to support the Council's Capital Programme. The capital programme includes allocations to address property condition as highlighted in this report, however significant allocations are not affordable and relinquishment of assets can help minimise the backlog and allow the resources that do exist, to be prioritised on assets that are intended to be retained and essential in service delivery.
16. The budget report 2015/16 indicated that 'Further action is required to accelerate a reduction in the Council's asset base within a limited timeframe'. Unless assurance of progress in this regard can be demonstrated the affordability of the existing Capital Programme will need to be reviewed. For 2015/16, the Council's budget also assumed proceeds from the disposal of property would be used towards meeting the Staff revenue costs of organisational change, following approval of a capitalisation direction from Welsh Government.
17. This report highlights a range of property Initiatives, each potentially having a range of differing financial implications which will need to be considered in conjunction in Financial Services, as the strategy is implemented. The financial implications of such initiatives will be reported as part of the Assets and Property Board, identified in the report.
18. Whilst Capital receipts are a priority, the report suggests community asset transfers would also be considered where strategically relevant. This should be done only after consideration of the needs for receipts

and the sustainability of plans to services from any such buildings proposed for transfer.

19. Properties identified for disposal should be done so promptly in order to avoid any revenue costs of holding onto surplus property.

RECOMMENDATIONS

The Cabinet is recommended to approve the 2015/16 Corporate Asset Management Plan (Appendix A to this report).

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
16 July 2015

The following Appendix is attached

Appendix A: Corporate Asset Management Plan 2015/16

CORPORATE ASSET MANAGEMENT PLAN

2015/2016



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What we said we would do in 2014/15	18
What we will do in 2015/16	28

EXECUTIVE SUMMARY

In November 2014 Cardiff Council approved a Corporate Property Strategy. For the first time this put in place a high level framework within which all Council property related initiatives could be identified and delivered in a coherent and transparent manner. The goals of the property strategy are directly aligned to those of the Cardiff Corporate Plan 2015-17.

The Council will publish an annual Corporate Asset Management Plan (CAMP) and this will serve as the delivery vehicle for the Corporate Property Strategy, setting out the plans for property assets during the current financial year. It is designed to complement the findings and assessments of the Strategy and to detail the measures being taken in the current financial year to ensure these are progressed and completed where appropriate. It is not a mandatory requirement to produce a plan each year it is good practice to do so and demonstrates a proactive and planned approach to property asset management.

The CAMP is part of the Council's change agenda as reported through the Organisational Development Programme (ODP). The Enabling and Commissioning Board (CAMB) serves as the principal forum to report property asset management progress. The Asset Management Board (AMB), chaired by the Chief Executive, and also the Asset Management Working Group, both support the asset management process and meet once a month to raise, discuss and reach decisions on all property issues. Every other month, public sector partnering organisations are invited to the Board meeting to progress opportunities for collaboration and partnership working.

In 2014/15 8 offices were proposed for vacation, 5 from the Office Rationalisation project and 3 resulting from service led moves. A total of 7 office properties were ultimately vacated, 4 of which were permanently relinquished via either sale or lease end/break.

For 2015/16 10 offices are in scope for either vacation or relinquishment. 8 are part of the Office Rationalisation exercise whilst 2 are service led. This is projected to realise £1.7m in capital receipts and offload the burden of £1.4m maintenance backlog.

A large proportion of the Communities estate was subject to a city wide budget consultation exercise in 2014/15 designed to understand the demand for Community Asset Transfer (CAT) opportunities and invite expressions of interest from community groups.

The HUBs programme progressed as planned, achieving its reported targets with new HUBs agreed for Grangetown and also a newly proposed HUB in Rumney. HUBs at St Mellons and Llanrumney were approved for expansion and investment. Sports and Leisure undertook separate procurement exercises for the Leisure Centre and Venues services to determine options for alternative service delivery from 2016/17 onwards.

In 2015/16 new HUBs will be established at Grangetown and Rumney whilst work will progress with partners to develop a "phase 2" expansion model for Ely and Caerau HUB. Three ongoing CAT proposals at Maes y Coed, Plasnewydd and Pentreban Community Centres are set to complete early in the year. Additional CAT opportunities continue to be explored at selected sites. The future of the sports, leisure and play assets will be subject to further review.

The School Organisational Programme (SOP) progressed in 2014/15 with key milestones including the formal closure of Llanedern High July 2014, completion of the Hywel Dda expansion in Sept 2014, Millbank remodelling investment completed Jan 2015 and the conclusion of Coed Glas/Ysgol Y Wern reorganisation proposals (with investment to follow).

For the next financial year approval was granted to proceed with new projects including development of plans for a new High School in the West, work to create a new 2 form entry Welsh Medium and a 2 form entry English Medium Primaries within the 4 wards area, a new 2 form entry English Medium Primary in Cyncoed, Penylan, parts of Roath, a new 2 form entry Primary School in Splott & Adamsdown and a new 2 form entry Primary School for Llandaff North.

Through the Asset Management Board, opportunities for partnership working will be further explored and new, feasible and realistically achievable projects will be instigated focussing on shared efficiencies and collaborative working.

Vital work on new, corporately networked SAP based data management systems will ensure the Council can confidentiality and accurately report property performance statistics in future years.

The Key themes of the CAMP are "fewer, but better buildings", collaboration and rationalisation. The outcome of this approach will result in a proactive disposal programme which will generate important capital receipts.

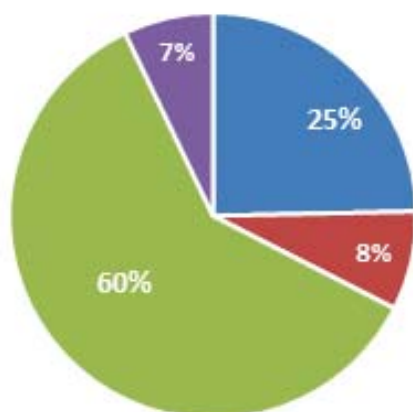
STATE OF THE ESTATE REVIEW

Description	Measure	Achieved 2014/15	Target 2015/16
Capital Receipts Secure £10m capital receipts by 2018	N/A	£4,421,435	£6.2m*
Gross Internal Area (GIA) Reduce the GIA of operational buildings by 10% by April 2018.	Total GIA 2013/14 = 7,815,675 sqft 726,100 sqm	GIA relinquished = 42,074 sqft 3,909 sqm Percentage reduction = 0.54 %	Target to relinquish = 273,549 sqft 25,414 sqm Percentage reduction target = 3.5%
Running Costs Reduce the running cost of operational buildings by £2m by April 2018	Estimated running cost 2013/14 = £36,000,000	Running cost reduced = £210,000 Percentage reduction = 0.6%	Running cost target = £1,620,000 Percentage reduction = 4.5%
Maintenance Backlog Reduce the maintenance backlog by £12m by April 2018	Maintenance Backlog estimate 2013/14 = £104,000,000	Backlog reduction via disposal = £301,100	Target reduction = £4,300,000
Property Condition Percentage reduction in the proportion of operational buildings rated as in "poor" or "bad" condition.	Estimated GIA considered in poor or bad condition 2013/14 = 410,546 sqft 38,141 sqm	New Measure	Percentage reduction = 55%
Fitness for Purpose Undertake a two year programme to complete 100% of prioritised Fitness for Purpose Assessments by April 2017	Introduced for year 2015/16	New Measure	Anticipated 50% of properties will have an up-to-date fitness for purpose assessment end of 15/16
Partnership Working Instigate 10 collaboration projects with public sector partners by 2018	Introduced for year 2015/16	New Measure	3 projects

*See page 34 for details regarding 2015/16 land and property capital receipts



CAPITAL RECEIPTS 2014/15



■ Appropriation to HRA ■ Land sales
■ Non-Operational ■ Operational

Type	Receipt
Appropriation to HRA	£1,090,000
Land sales	£348,125
Non-Operational	£2,668,311
Operational	£314,999
	£4,421,435

Cardiff Council secured £4.4m in Capital receipts during 2014/15. Over half of the receipts resulted from the sale of non-operational assets such as ground leases. A quarter of receipts came from land and property appropriations to the HRA account for the HPP programme. Last year just over £650k originated from operational property and land sales.

OPERATIONAL PROPERTY 2014/15

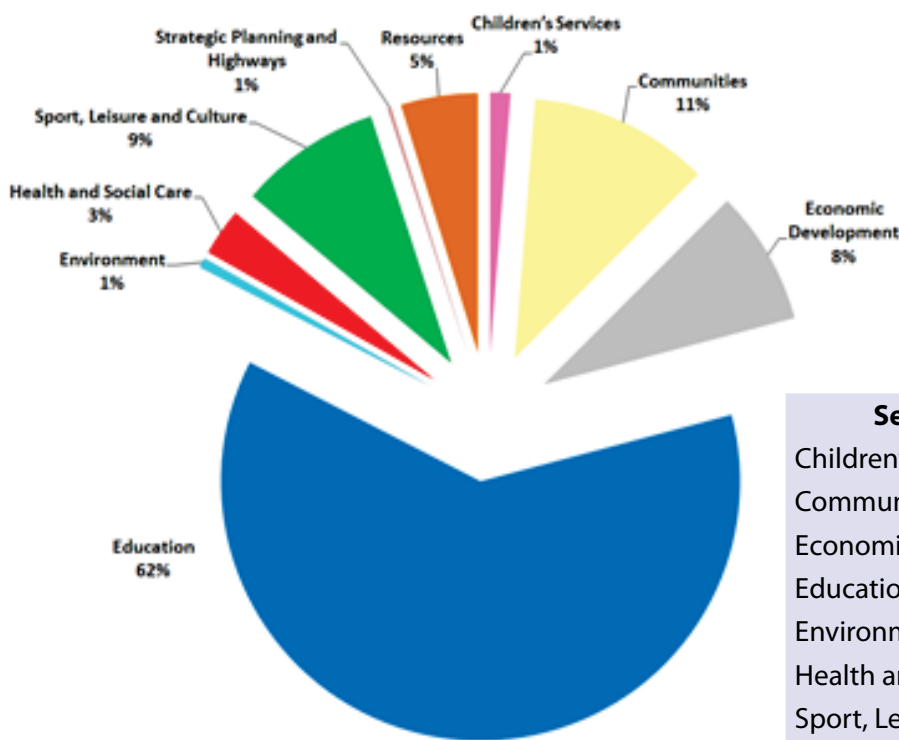
Operational property is directly managed by the Authority either to deliver services to the public through schools, libraries, leisure centres, homes and day care facilities etc. or to facilitate service delivery via back office and depot facilities. The Council also owns and manages extensive land assets primarily for the purposes of Parks, Council Housing Estates and the Harbour at Cardiff Bay, but these are largely excluded from the statistics below.

Summary

- Circa 500 operational properties
- Approximately £1billion existing use value
- Total Operational GIA 726,823 sqm
- 62% of GIA relates to schools
- Maintenance Backlog is estimated at £102m in 2014/15
- Nearly 2/3 of all identified works are either urgent or will be in the near future
- Operational Running cost 2014/15 was circa £36m

The operational estate is allocated according to service and Council requirement and is seen to contain a very broad range of property types of various ages, types and sizes spread throughout each Ward of the Cardiff Council administrative boundary. It is generally recognised that Cardiff has a large operational property portfolio, particularly when compared to other similar sized authorities.

Operational Gross Internal Area

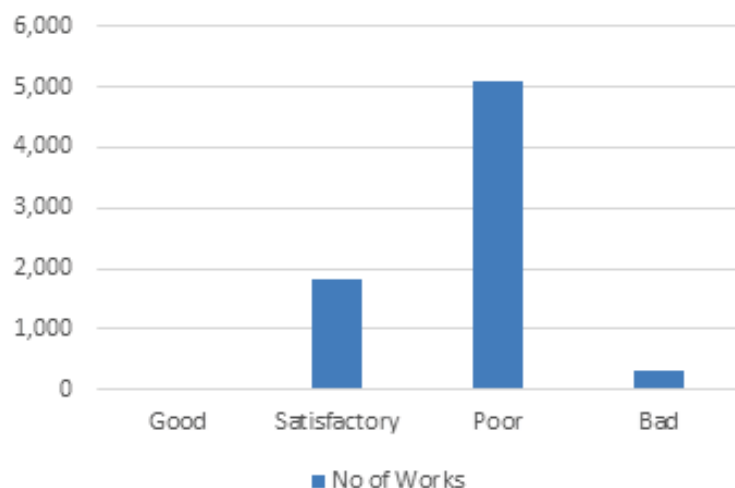


Service Area	GIA sqm	%
Children's Services	9,166	1.26
Communities	81,598	11.23
Economic Development	60,962	8.39
Education	448,435	61.70
Environment	4,426	0.61
Health and Social Care	21,345	2.94
Sport, Leisure and Culture	64,461	8.87
Strategic Planning and Highways	1,622	0.22
Resources	34,808	4.79

726,823

The gross internal area of the operational estate is predominantly allocated to the Education portfolio which consists of over 120 schools. Communities and Sports and Leisure manage significant floor space, largely to deliver front facing services to the public. Economic Development are responsible for a small number of large assets awaiting imminent redevelopment – plus also manage the communal areas of the investment portfolio. FM (within Resources) manages the Council's largest office buildings such as County Hall and City Hall. Children's Services and Health and Social Care manage various front facing Social Service facilities across the city.

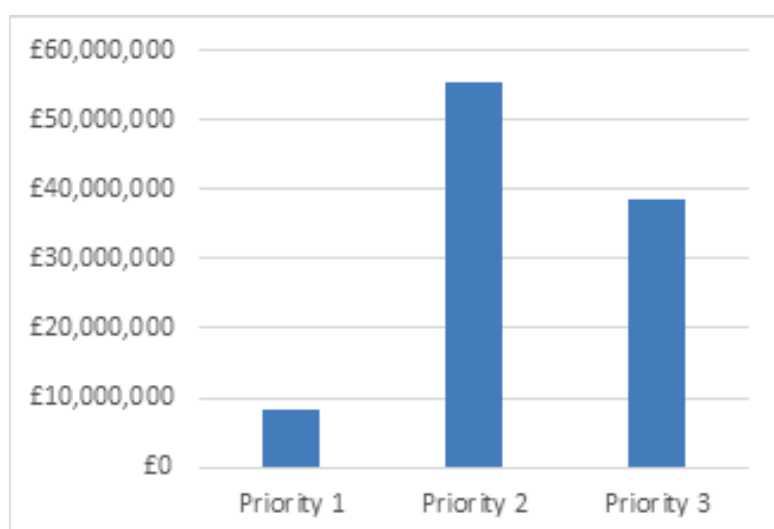
All identified work items in operational property by condition description 2014/15



Condition Type	No of Works	%
Good	2	0.03
Satisfactory	1,821	25.26
Poor	5,083	70.52
Bad	302	4.19

The table above describes the rating of each work item recorded on the Council's surveys database following programmed property condition surveys. Good and Satisfactory items will usually constitute low priority works. Poor or Bad work items however tend to relate to issues that will need to be addressed with some urgency. The fact that some 75% of all recorded items on the database are deemed to be in poor or bad condition is an indicator of the overall quality of the operational estate.

Total Cost of all identified works in operational and maintained property



Priority Rating	Cost of Works
Priority 1	£8,120,831
Priority 2	£55,567,559
Priority 3	£38,407,888
TOTAL	£102,096,278

All required work items recorded against operational property total £102 million.

This is the estimated cost required to restore the existing portfolio to a first rate condition. All works are attributed a priority rating which is intended to describe the urgency the repairs must be actioned. **Priority 1** = Urgent/Immediate works. **Priority 2** = Works will become urgent/immediate within 2/3 years unless actioned. **Priority 3** = Satisfactory at present but condition likely to worsen if left unresolved. The chart shows that just under 2/3 of recorded works require action either now or in the near future.

Total works priority backlog by Service Area

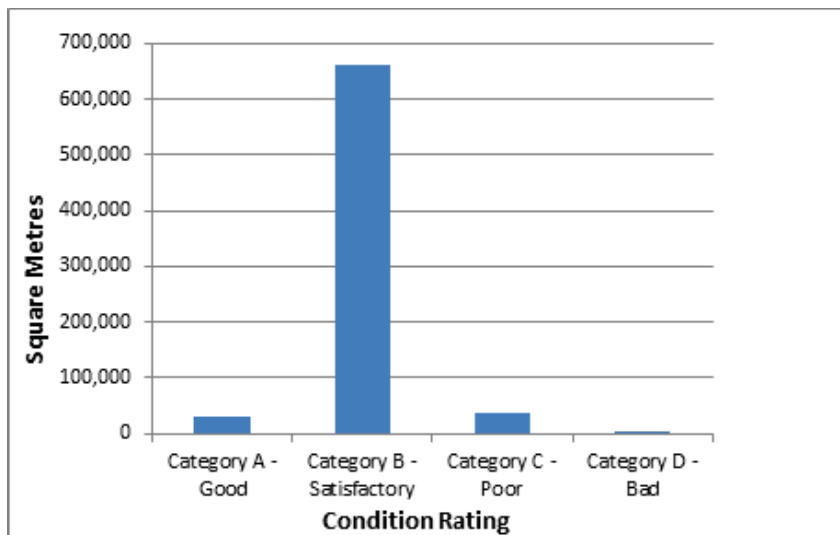
Service Area	Backlog	%
Children's Services	£620,375	0.6
Communities	£1,731,680	1.7
Economic Development	£2,628,830	2.6
Education	£73,526,928	72.0
Environment	£60,575	0.1
FM	£6,155,100	6.0
Health and Social Care	£841,363	0.8
Sport, Leisure and Culture	£16,419,677	16.1
Strategic Planning/Highways/ Transport	£111,750	0.1
	£102,096,278	

The maintenance backlog can be divided by responsible Service Area. Unsurprisingly it is the Education portfolio that carries the largest outstanding works cost at £73.5m which is nearly three quarters of the total works cost. Sports and Leisure also carry a significant backlog, this is predominantly found within the leisure centre and venue estate. FM are responsible for core office accommodation and the bulk of this works backlog is contained within County Hall and City Hall. Economic Development maintain communal spaces within the workshop estate and the heavy use of these sites necessitates regular repairs. Health & Social Care and Children's Services have a relatively small backlog considering the GIA space allocation in their portfolio.





Property condition rating by GIA

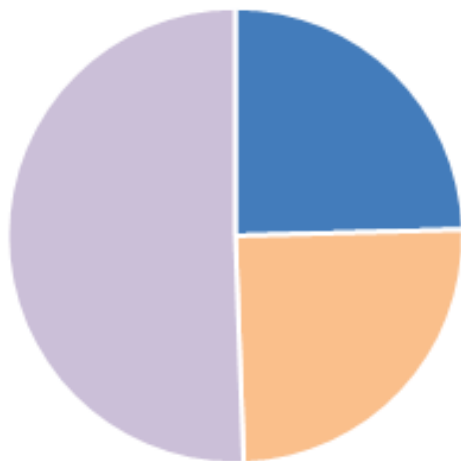


Condition Type	GIA sqm	%
Category A - Good	29,036	3.99
Category B - Satisfactory	659,646	90.76
Category C - Poor	37,510	5.16
Category D - Bad	631	0.09
726,823		

This chart shows the property condition rating by GIA. It is interesting to note that according to this statistic, when considering the condition of the estate by total GIA, it would appear that over 90% of the estate appears in a Satisfactory condition. This however is very misleading as items such as roofs, walls, heating systems, electricity systems etc are not relevant to GIA. These items are in fact often the most critical and expensive aspects of a property when reviewing condition. Therefore taken in isolation this statistic is misleading and demonstrates the value of the methods of review noted previously in understanding the true condition of the Cardiff estate.



Total Estate Running Costs 2014/15



Portfolio	Cost	%
Office	£8,600,000	24.57
Community Buildings	£8,700,000	24.86
Schools	£17,700,000	50.57
TOTAL	£35,000,000	

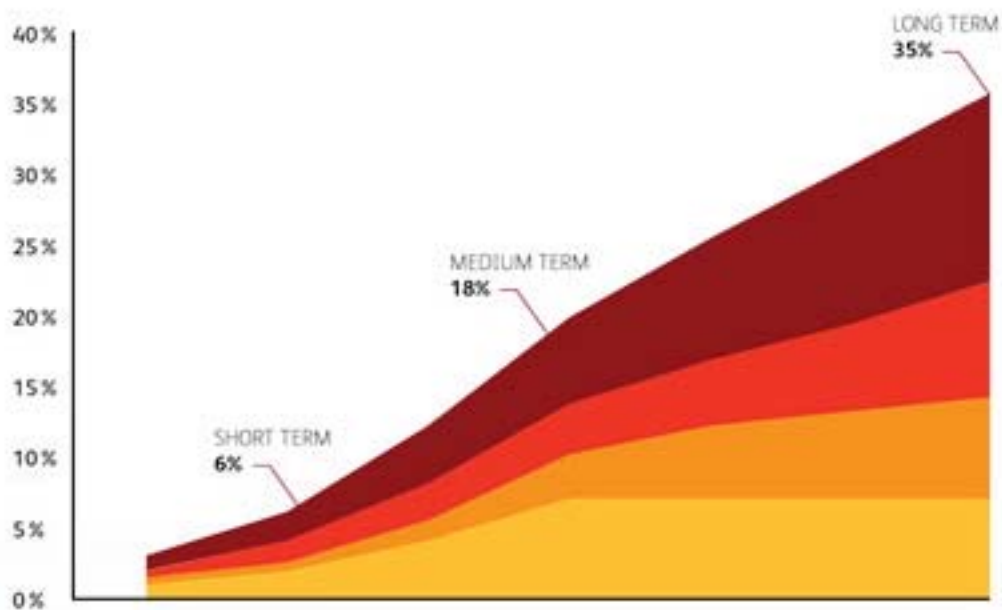
■ Office ■ Community Buildings ■ Schools

Calculating total running cost is currently a difficult task for Cardiff Council due to the compatibility of certain IT systems however work is underway to ensure reporting is easier and of suitable quality in future years.

Understanding the total running cost of the estate is a vital component of performance management. For the purposes of this report, running cost is considered to be all ongoing revenue costs recorded throughout the last financial year against a property including items such as utilities, security, business tax (NNDR), cleaning, rolling grounds and building maintenance etc. One off capital investments were not included. This chart clearly shows that approximately half of the total running cost of the estate is dedicated to the Education estate at £17.7 million in 14/15. The remaining cost is spread relatively equally between the Community buildings and the Office estate.

Operational Energy performance

CO2 Reduction Initiatives

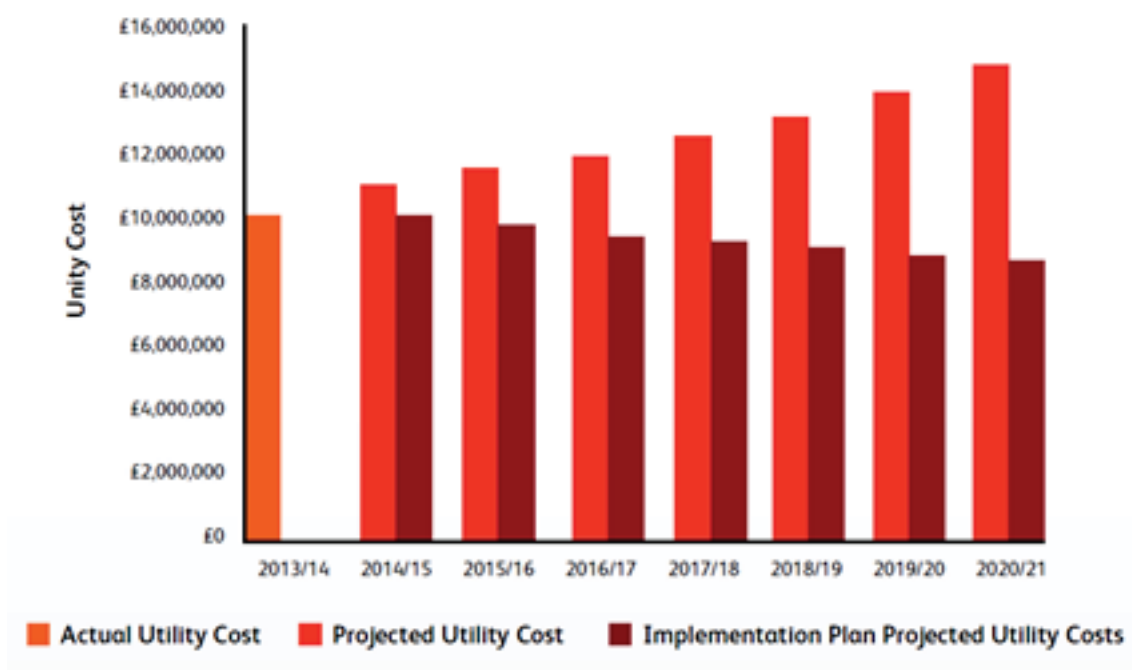


	2016	2017	2018	2019	2020	2021	2022
Invest To Save	1.00 %	2.00 %	4.00 %	6.00 %	8.50 %	11.00 %	13.00 %
Design & Asset Management	0.50 %	1.50 %	2.50 %	3.50 %	4.50 %	6.00 %	8.00 %
Renewables	0.50 %	0.50 %	1.50 %	3.50 %	5.00 %	6.00 %	7.00 %
Good Housekeeping	1.00 %	2.00 %	4.00 %	7.00 %	7.00 %	7.00 %	7.00 %

Energy consumption for existing buildings can initially be minimised by driving down energy demand (through passive building design for new build and contemporary operation techniques) before focusing on energy efficient plant and controls. The Council's Energy Strategy has been created primarily with data collated from recent studies undertaken.

Operational Energy performance

Implementation Plan Utility Cost Projections



The projection here highlights how the absolute reduction in CO₂e emissions could potentially be attained through targeted reduction interventions as recorded within the Council's Carbo/energy report. The capital cost of the interventions excludes inflation/other cost increases during the period. If these initiatives are addressed the following business case would be demonstrated:

Recommended £2.4M annual budget for works

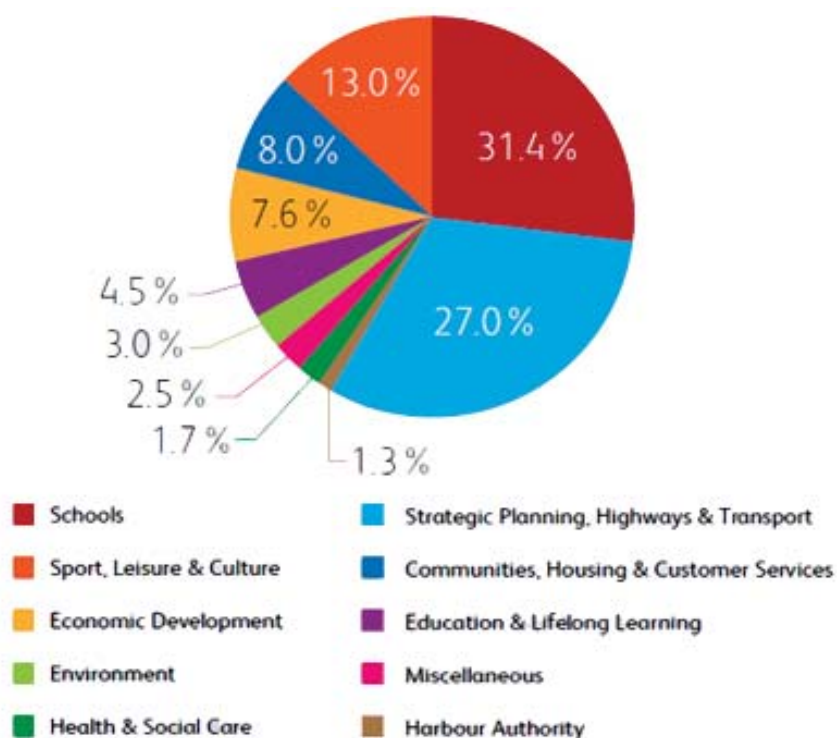
- Total utility cost value at stake estimated £3.6M/annum
- Good Housekeeping 3,565 tCO₂e (7%) CO₂e emissions reduction – (no cost/absorbed within current budget)
- Invest to Save 6,621 tCO₂e (13%) CO₂e emissions reduction - £7.4M cost
- Renewable Technologies 3,565 tCO₂e (7%) CO₂e emissions reduction - £9.5M cost
- Design & Asset Management, 4,075 tCO₂e (8%) emissions reduction

Carbon Emissions by Directorate 2013/14

Fuel	Total tCO2	Total
Schools	15,970	31.4%
Strategic Planning, Highways & Transport	13,755	27.0%
Sport, Leisure & Culture	6,618	13.0%
Communities, Housing & Customer Services	4,092	8.0%
Economic Development	3,850	7.6%
Education & Lifelong Learning	2,284	4.5%
Environment	1,551	3.0%
Miscellaneous	1,291	2.5%
Health & Social Care	847	1.7%
Harbour Authority	675	1.3%
Total	50,931	

Based on the 2013/14 financial year the total CO2e emissions for the estate are 50,931 tCO2e. It has been determined that prioritising carbon reducing measures addressing electricity consumption will yield the greatest carbon emission savings and utility cost savings.

Carbon emissions can be measured by Service Area output and the table and graphs here show that nearly 2/3 of the Council's Carbon output is emitted by Schools and SPH&T. Schools is by far the largest property managing service area so this is to be expected. SPH&T emissions are the result of the street lighting managed by this service area.

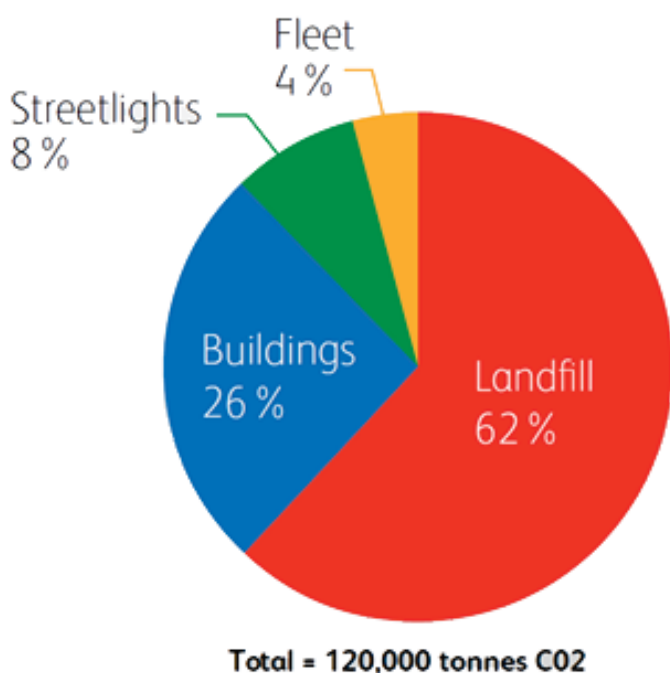


CO2e Emission Data

Further analysis of the data in the table below highlights that the number one source of carbon emissions is street lighting across the city, followed by County Hall and City Hall. Active targeting of these sites is likely to achieve the highest carbon savings.

Site Name	Electricity CO2e (tCO2)	Gas CO2e (tCO2)	Total Carbon Emissions (tCO2)	Total
1 Street Lighting (All)	11,836	0	11,836	23.2%
2 County Hall	2,105	287	2,392	4.7%
3 City Hall	661	526	1,187	2.3%
4 Traffic Signals (All)	1,127	0	1,127	2.2%
5 Fitzalan High School	517	376	894	1.8%
6 St David's Concert Hall	573	289	863	1.7%
7 Lamby Way Cleansing Depot	788	22	810	1.6%
8 Cardiff International White Water Centre	679	44	723	1.4%
9 Western Leisure Centre	376	185	561	1.1%
10 Radyr Comprehensive School	355	190	545	1.1%

The chart below shows the 2005/06 breakdown of carbon emissions for the Council. Of particular note is that the majority of emissions were recorded from landfill waste, however the Council has more direct control over the emissions from buildings, vehicles and street lighting – which still comprise some 1/3 of all emissions.



Completed projects will also have an impact on absolute CO2e emissions for the estate. The following list summarises some of the key projects completed/in progress since the 2008 plan:

- LED Lighting Installations
- Building Insulation Programme
- Heating Controls Programme
- Variable Speed Drives – Pumps & Fans
- Lighting Controls in Council Buildings
- IT projects – virtual servers, blade servers, extreme PC's
- Lamby Way Landfill Gas CHP
- In-vessel composting facility
- Automatic Meter Reading
- Voltage Optimisation Installations
- Heating Controls in Demountable Classrooms
- Biomass feasibility/implementation
- Energy Awareness Campaigns
- Detailed Energy Auditing of largest energy consumers
- New Build – Beacon Project
- Low Carbon Building Performance Standard
- Heating Controls Audit
- School Pool Hall Energy Improvements-

WHAT WE SAID WE WOULD DO IN 2014/15

Office Estate

The office portfolio is subject to the ongoing Office Rationalisation project as well as other service area led moves. Applying the principle of “Fewer, but better buildings” the core objective of Office Rationalisation is to reduce the number of office buildings the council operates and consolidate staff in core offices such as County Hall, maximising the utilisation of these buildings. There is a focus on the retention of good quality freehold properties (particularly centrally located), and the active relinquishment of leasehold premises.

In 2014/15 office rationalisation proposed to vacate and relinquish/dispose 5 buildings and realise £382k savings. 4 properties were vacated but the Council disposed only 1 site resulting in £72k Office Rationalisation savings made. Some savings were offset with the need to invest in the relocation of teams. Alexander House was not vacated in time so will now be relinquished in early 2015/16. The Bessemer Road properties were vacated but not sold, but will be disposed by the end of 2015/16. In addition to Office Rationalisation, service area led reviews also resulted in a further 3 properties being vacated and either disposed or appropriated.

The total combined Office estate summary 2014/15 is shown below.

Property	Ward	Intent	Result	Tenure
Alexander House, Excelsior Rd	Gabalfa	Vacate and Relinquish	Not Realised	Leasehold
Bessemer Close site 1 - Procurement and Supplies Depot	Grangetown	Vacate and Dispose	Vacated, but not sold	Freehold
Bessemer Close site 2A - Schools Maintenance Depot (DSU)	Grangetown	Vacate and Dispose	Vacated, but not sold	Freehold
Bessemer Close site 2B - Terrapin Building	Grangetown	Vacate and Dispose	Vacated, but not sold	Freehold
Brindley Road Highways Depot (northern element)	Grangetown	Vacate and Dispose	Vacated & SOLD	Freehold
Crofts Street Laboratory's	Plasnewydd	Vacate and Dispose	Appropriated to HRA	Freehold
150 Thornhill Road	Lisvane	Vacate and Dispose	Appropriated to HRA	Freehold
Heath Park Offices	Heath	Vacate and Dispose	Vacated & Leased to third party	Freehold



Community Buildings

All of the community buildings within the estate were subject to review during 2014/15 as part of a pre-budget public consultation exercise.

The following project streams were progressed by the relevant managing service areas:

Community Buildings and Community Asset Transfers (CATs)

As part of the Cardiff budget consultation for 15/16 expressions of interest were sought from groups interested in the CAT of community properties proposed for closure. The Stepping Up Toolkit was created and made available to aid individuals and groups who are interested in the CAT process. 3 CATs were actively progressed to the point of completion, with Heads of Terms expected to be agreed in early 2015/16.

HUBs

The HUBs programme progressed as planned, achieving its reported targets with new HUBs agreed for Grangetown and also a newly proposed HUB in Rumney. HUBs at St Mellons and Llanrumney were approved for expansion and investment. The HUB programme will be aligned to the aims and objectives of the Corporate Property Strategy in 15/16, with a particular focus on the development of community campus schools in future years.

Leisure Centres and Venues

Sports and Leisure are undertaking procurement processes for the Leisure Centre and Venues services to determine options for alternative service delivery from 2016/17 onwards. The results are expected late 15/16. The outcome of this exercise is likely to have a significant impact on the performance of the estate in future years.

The primary community building project summary for 2014/15 project is shown on the right.

Property	Ward	Type	Intent	Result	Tenure
Ely and Caerau HUB	Caerau	HUB	Continued investment	Continued investment	Freehold
St Mellons HUB	St Mellons	HUB	Continued investment	Continued investment	Freehold
Llanrumney HUB	Llanrumney	HUB	Continued investment	Continued investment	Freehold
Butetown HUB	Butetown	HUB	Continued investment	Continued investment	Leasehold
City Centre HUB	Cathays	HUB	Review accommodation strategy	Decision to relocate to Central Library	Freehold
Rumney HUB	Rumney	HUB	Seek approval to proceed	New HUB agreed	Freehold
Grangetown HUB	Grangetown	HUB	Seek approval to proceed	New HUB agreed	Freehold
Plasnewydd Community Centre	Plasnewydd	CAT	Implement CAT agreement	CAT – nearing completion	Freehold
Maes y Coed Community Centre	Heath	CAT	Implement CAT agreement	CAT – nearing completion	Freehold
Pentrebane Community Centre	Fairwater	CAT	Implement CAT agreement	CAT – nearing completion	Freehold
Meteor Street Day Centre	Adamsdown	Service review	Vacate and appropriate to HRA	Appropriated to HRA	Freehold
Ely Library, 8 Grand Avenue	Ely	Service review	Vacate and appropriate to HRA	Appropriated to HRA	Freehold
Public Conveniences – Kingsway	Cathays	Service review	Dispose	SOLD	Freehold
All Libraries	City Wide	Budget Consultation	Determine CAT interest	Libraries to be retained	Various
All Play Centres	City Wide	Budget Consultation	Determine CAT interest	Play Centres retained for 2015/16	Freehold
All Youth Centres	City Wide	Budget Consultation	Determine CAT interest	Service and property rationalisation agreed for 2015/16	Various
All Day Centres	City Wide	Budget Consultation	Determine CAT interest	Day Centres retained for 2015/16. Further review required	Freehold
All Leisure Centres	City Wide	Service Area Review	Initiate procurement project	Procurement project agreed to proceed.	Freehold
All Venues	City Wide	Budget Consultation	Initiate procurement project	Procurement project agreed to proceed.	Freehold
All Sports facilities	City Wide	Service Area Review	Determine future property strategy	Pursue CAT and disposal options where possible	Freehold

Schools Estate

Investment in the schools estate is a major part of the Council's Investment Plan.

£137m was approved for Schools Organisational Programme (SOP) Band A by Welsh Government (WG) in Nov 2011. This is composed of £68.5m from WG and £68.5m Cardiff Council (funded by capital receipts and prudential borrowing). WG is providing funding subject to approval of business cases for individual projects.

SOP resulted in the following impact on the Council's property estate in 2014/15

Property	Ward	Status end 2014/15	Tenure
Llanedeyrn High School	Pentwyn	Formal closure in July 2014	Freehold
Hywel Dda Primary School	Ely	Expansion complete Sept 2014	Freehold
Millbank Primary School	Ely	Remodelling investment complete Jan 2015	Freehold
Coed Glas/Ysgol Y Wern	Llanishen	Reorganisation proposals concluded (investment to follow)	Freehold
The Four Wards engagement exercise	Various	Cabinet approval was granted to proceed with consultation	Freehold
Michaelston/Glyn Derw to share site proposal	Ely/Caerau	Cabinet approval was granted, site proposal consultation spring 2015	Freehold
Howardian consultation	Cyncoed	Cabinet approval was granted, Spring 2015	Freehold
Gabalfa/Ysgol Glan Ceubal Primary Schools	Gabalfa / Llandaff North	Cabinet approval was granted consultation undertaken Spring 2015	Freehold
Pontprennau Primary School	Pontprennau	Formally approved for implementation	Freehold
Birchgrove Primary School Caretakers House	Llanishen	Disposed	Freehold



Albany Nursery
& Primary School

Telephone: 01293 20499500 Email: schooladmin@albanynursery.com and www.albanynursery.com
Headteacher: Mrs. A. Lopez Web: www.albanynursery.com



Land and other assets

Generating capital receipts from disposals is also of key importance to the Council's budget. Various surplus sites were declared surplus and disposed during 2014/15 as per the rolling schedule managed by Strategic Estates:

Property	Ward	Result	Tenure
Land at Landsea Square	Butetown	SOLD	Freehold
Land at Oxford Street	Plasnewydd	SOLD	Freehold
Land East of Tyndall Street	Butetown	SOLD	Freehold
Land Adj to Brindley Rd Place	Grangetown	SOLD	Freehold
Land at Mount Pleasant Avenue	Llanrumney	SOLD	Freehold
Land at Lamby Way	Rumney	SOLD	Freehold
Land at Fairwater Green	Fairwater	SOLD	Freehold
Unit 31 Mermaid Quay	Butetown	SOLD	Freehold
Waun Lee & Pent Lee	Pontprennau	SOLD	Freehold
Wilfred Brook House	Grangetown	SOLD	Freehold
Syr Davids Court Clive Road	Canton	SOLD	Freehold
Land at St Mellons off Coleford Drive	St Mellons	SOLD	Freehold
Tyn y Gollen St Mellons Re	St Mellons	SOLD	Freehold
Unit 23 & 25 Ipswich Rd Ind estate	Penylan	SOLD	Freehold
Caxton Place Unit 2	Pentwyn	SOLD	Freehold
4 Dunraven Court	Penylan	SOLD	Freehold
128 Cowbridge Road West	Ely	SOLD	Freehold
92 Templeton Avenue	Llanishen	SOLD	Freehold



Investment Estate

The investment estate continued to serve a significant economic, community and social benefit role to Cardiff in 2014/15. A review was commissioned to determine how maximum value could be extracted from this estate in future. The investment (or non-operational estate) serves a vital role within Cardiff, providing opportunities and facilities for small/starter businesses to grow and develop. This results in a revenue rental income for the Council.

The Investment Estate revenue target for 14/15 was £3.59m. Cardiff Council secured £3.45m.

The workshop estate secured a further £686k .

Total revenue for 2014/15 = £4.14m

SUMMARY EFFECT 2014/15

This summary describes the NET effect on key indicators following vacation and disposal.

	GIA	Maintenance Backlog	Running Costs	Capital Receipt
Offices	32,744	£192,000	£210,000	£948,000
Communities	8,530	£69,100	£36,000	£299,999
Schools	800	£40,000	£3,000	£157,000
Land	-	-	-	£384,125
Non-operational	-	-	-	£2,668,311
TOTAL	42,074	£301,100	£210,000	£4,421,435



WHAT WE WILL DO IN 2015/16

There will be a continued focus on realising efficiency savings through reduced running costs, negating maintenance backlog where possible through disposal/lease relinquishment and reducing the Gross Internal footprint within operational buildings. The realisation of capital receipts from surplus assets will be attributed highest priority, with investment to focus on retained, core buildings required for statutory service delivery.

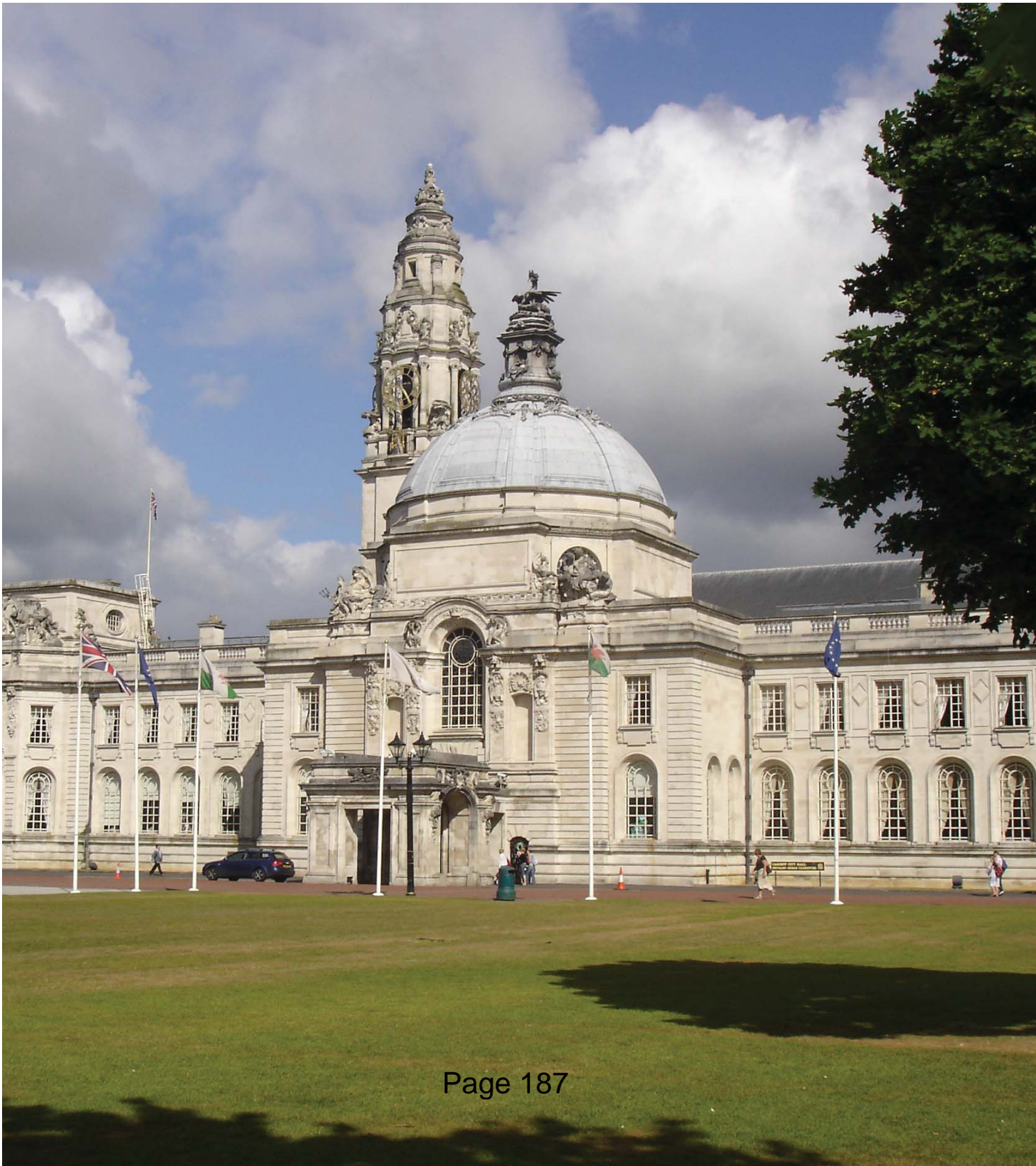
Office Estate

The rationalisation of the Office estate will continue, led by the Office Rationalisation project and complimented by Service led moves. A further 10 offices are to be vacated, relinquished or disposed in 2015/16.

The Office Rationalisation business case aims to have realised a total of £1.7m revenue savings and release assets valued at £4m by 2017. As a consequence, approximately 500 staff will need to be accommodated in County Hall (or other core offices). To facilitate this, modern ways of working, e.g. hot-desking, are being introduced to enable existing retained office space to be used cost effectively.

In addition, other projects and service area reviews will result in further changes to the Council's office requirement. The anticipated effect on offices for 2015/16 is shown here:

Property	Ward	Action	Tenure
Carnegie Centre, St Davids House	Cathays	To Vacate	Freehold
Traffic Wardens Office, 47 Landore Court	Cathays	Lease to be relinquished	Leasehold
Clare Road Depot (former Tram Shed)	Grangetown	To dispose	Freehold
Bessemer Close site 1 - Procurement and Supplies Depot	Grangetown	To dispose	Freehold
Bessemer Close site 2A - Schools Maintenance Depot (DSU)	Grangetown	To dispose	Freehold
Bessemer Close site 2B - Terrapin Building	Grangetown	To dispose	Freehold
Global Link	Grangetown	To Vacate	Leasehold
Howardian Office Accommodation	Cyncoed	To Vacate	Freehold
Mynachdy Centre	Gabalfa	To Vacate	Freehold
Alexander House, Excelsior Rd	Gabalfa	Lease to be relinquished	Leasehold



Community Buildings

The Community property portfolio will continue to be reshaped and adapted to enable new and alternative service delivery models to be introduced.

The result of alternative approaches to core community services such as libraries, youth centres, and play centres may result in additional properties becoming surplus to Council requirements.

- The HUB programme will proceed (as per Cabinet Reports 16/9/2014 & 19/3/2015) and will see Marland House close and services moved to Central Library.
- Work will be undertaken to determine the future of Play Centre, Youth Centre, Day Centre and Library services for 16/17 and beyond.
- The results of the Venue and Leisure Centre procurement process will determine the future of those services and assets. This has the potential to have a significant effect on the Council's operational estate performance.
- Additional support will be provided to community groups and organisations who are interested in undertaking a CAT. Selected properties within the Communities estate such as Play Centres and Youth Centres will offer the best opportunities as they provide community services that cannot be supported by the Council indefinitely – either in regard to service provision or building management.

Key property projects for 2015/16 are shown on the right:

Property	Ward	Type	Action	Tenure
Ely and Caerau HUB	Caerau	HUB	Pursue "phase 2" expansion opportunities	Freehold
St Mellons HUB	St Mellons	HUB	Continued investment	Freehold
Llanrumney HUB	Llanrumney	HUB	Continued investment	Freehold
Butetown HUB	Butetown	HUB	Continued investment	Leasehold
Rumney HUB	Rumney	HUB	Continued investment	Freehold
Grangetown HUB	Grangetown	HUB	Continued investment	Freehold
City Centre HUB, Marland House, City Centre	Cathays	HUB	To dispose	Freehold
Central Library, The Hayes	Cathays	Library / HUB	Conversion to new Central HUB	Freehold
The Old Library, The Hayes	Cathays	Venue	Pursue conversion to Welsh Language Centre	Freehold
Maes-y-coed Community Centre	Heath	CAT	CAT to complete	Freehold
Plasnewydd Community Centre	Plasnewydd	CAT	CAT to complete	Freehold
Pentrebane Community Centre	Fairwater	CAT	CAT to complete	Freehold
Pentwyn NLC - The Dome	Pentwyn	Service review	To dispose	Freehold
Howardian Youth Centre	Cyncoed	SOP	Redevelopment	Freehold
Pontprennau Community Centre	Pontprennau	SOP	Redevelopment	Freehold
Caerau / Trelai Library and Community Centre (former)	Caerau	Service Area Review	To dispose	Freehold
All Libraries	City Wide	Service Area Review	Re-shape service where appropriate	Various
All Play Centres	City Wide	Service Area Review	Determine future provision requirement	Freehold
All Youth Centres	City Wide	Service Area Review	Pursue CAT interest	Various
All Day Centres	City Wide	Service Area Review	Determine future provision requirement	Freehold
All Leisure Centres	City Wide	Service Area Review	Finalise procurement project	Freehold
All Venues	City Wide	Service Area Review	Finalise procurement project	Freehold
All Sports facilities	City Wide	Service Area Review	Determine future provision requirement	Freehold

Schools Estate

As reported in the Schools Organisational Plan (SOP) for 2015/16, the following projects will be pursued this year following business case approval from Welsh Government and consideration of financial affordability of the 21st Century Schools Financial Model:

Project	Ward	Action	Tenure
New High School in the West	Ely / Caerau	Develop a New High School in the West to replace both Michaelston College and Glyn Derw High	Freehold
New primaries for the Butetown, Grangetown, Riverside & Canton area	Butetown, Grangetown, Riverside & Canton	Develop a new 2 form entry Welsh Medium & 2 form entry English Medium primaries for the Butetown, Grangetown, Riverside & Canton area	Freehold
New English Medium primary for Cyncoed, Penylan, parts of Roath	Cyncoed, Penylan, parts of Roath	Develop a new 2 form entry English Medium primary for Cyncoed, Penylan, parts of Roath	Freehold
New Primary School for Splott & Adamsdown	Splott & Adamsdown	Develop a new 2 form entry Primary School for Splott & Adamsdown	Freehold
New Primary School for Llandaff North	Llandaff North	Develop a new 2 form entry Primary School for Llandaff North	Freehold
Grangetown caretakers house	Grangetown	Dispose via auction 2015	Freehold
Herbert Thompson caretakers house	Ely	Dispose via auction 2015	Freehold
Dispose Howardian caretakers house	Penylan	Dispose via auction 2015	Freehold
Pontprennau Primary	Pontprennau	Demolish primary school and rebuild on site	Freehold
Llanedeyrn High	Pentwyn	Demolish High school for use as St Teilo's playing pitches	Freehold

SOP is to be directly aligned with the Asset Management process to ensure a joined up corporate approach to estate management, as per the objectives of the Corporate Property Strategy.

Land and other assets

In addition to the core operational estate, other Council land and property assets are subject to ongoing rationalisation initiatives. Various sites are proposed for disposal, shown below.

Property	Ward	Status	Tenure
Johnston Bldgs Site (former), John Street	Butetown	To dispose	Freehold
Land North of County Hall	Butetown	To dispose	Freehold
Brindley Rd surplus land	Grangetown	To dispose	Freehold
Land at Hadfield Close	Grangetown	To dispose	Freehold
Land adjoining, Lamby Way Workshops	Trowbridge	To dispose	Freehold



Investment Estate

In 2014/15 an independent review of the estate was commissioned and its recommendations are being considered. Essentially the report advises the estate is streamlined to produce a better yielding and easier to manage estate with an emphasis on improving the quality of the portfolio. The Council is considering the best model for enabling professional management of the estate to ensure it operates in line with its objectives.

The revenue target for 15/16 is £3.8m and the Workshop estate target is £641k.

Therefore the combined revenue target for 2015/16 is £4.44m

PROPOSED SUMMARY EFFECT 2015/16

This summary describes the proposed NET effect on key indicators following vacation and disposal.

	GIA sqft	Maintenance Backlog	Running Costs	Capital Receipt
Offices	97,887	£1,408,555	£360,668	£1,700,000
Communities	76,091	£1,118,070	£607,744	£540,000
Schools	99,361	£2,326,688	£11,000	£270,000
Land	-	-	-	£3,765,000
Non-Operational	-	-	-	tbc
TOTAL	273,339	£4,853,313	£979,413	£6,215,000*

* Capital Receipt allocation

The anticipated capital receipt for 2015/16 is £6.2m. £4.5m is reserved for Capitalisation Direction. £1.7m is ring-fenced for other Council projects and initiatives.





**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

**FORMER LANDSCAPE DEPOT & GREENHILL SCHOOL SITES,
RHIWBINA, CARDIFF**

**REPORT OF THE DIRECTOR OF ECONOMIC DEVELOPMENT
AND DIRECTOR OF EDUCATION AND LIFELONG LEARNING**

AGENDA ITEM: 6

**PORTFOLIO: CORPORATE SERVICES & PERFORMANCE (COUNCILLOR
GRAHAM HINCHEY)**

Appendix 2 to this report is not for publication as it contains exempt information of the description in Paragraph 14 of Part 4 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To seek authority to determine a land sale incorporating replacement of the Greenhill Special School.

Background

2. The Council owns a 2.7 acre acres site in Rhiwbina known as the Former Landscape Depot (marked B on the attached plan at Appendix 1). The site is situated to the south of Greenhill Special School and was closed prior to Local Government reorganisation in 1996. It has been vacant since that time and the former nursery buildings were demolished and removed in the late 1980's. The land is surplus to Council requirements and is held pending disposal.
3. Access to the site is gained from a private lane (Heol Brynglas) off Heol-Y-Deri which also serves Greenhill Special School and adjoining residential properties. The lane is restricted in width and unable to be upgraded to sustain access for future development. This situation, plus the steep topography of the land, requires any development of the site to be accessed via an alternative route which needs to be secured through private land. The cost of securing this enhanced access would be offset against the value of the site which has led the Council to hold on to the site until a decision is taken regarding the future of the Greenhill Special School site.
4. The Greenhill Special School site is 6 acres (marked as A on the attached plan). The school originally functioned as a residential facility

with an indoor swimming pool and ancillary building. Today the school provides a day school facility only, and the residential block, swimming pool and ancillary buildings have been closed and demolished. The school building would benefit from replacement or significant investment would need to be undertaken in future years if it were to remain fit for purpose.

Issues

5. The amalgamation of the two sites will maximise the development potential of both sites. The disposal will generate enough capital receipt to deliver a new modern replacement special school. The estimated total cost of a replacement special school including additional costs of access works to build on the existing site are highlighted in confidential Appendix 2.
6. The Council's strategy for Education has identified the need to provide a modern replacement special school facility in a suitable locality. An extensive site search of Council and privately owned land has been undertaken within the areas of the city identified as suitable for a relocated school. This search failed to identify a suitable alternative school site. As a result, it is intended to accommodate a replacement school on the lower site (marked as B on the attached plan at Appendix 1). However, to ensure the Council maximises value for money from the disposal of its land, as part of the process to market the site, the Council will consider proposals for alternative locations for the school. Any decision not to develop the school on the amalgamated site would need to be supported by the school governors, the Director of Education and Lifelong Learning, the Cabinet Member for Education and Local Members.

Conclusion

7. Following initial discussions with all interested parties, the following benefits from implementing this proposal will arise:
 - Allows the release of a land asset which is currently land locked.
 - Provides the opportunity for a replacement special school to be achieved through a self-funding proposal at no cost to the Authority.

Local Member Consultation

8. Local Councillors have recently been informed of this proposal, including keeping the school on the same site, and will be seeking the views of local residents in due course. To date no formal statutory consultation has been undertaken on the provision of a new school. This process will also take place in due course following the marketing of the site once it is understood that a suitable proposal for the redevelopment of the site and the provision of a new school is deliverable.

Reasons for Recommendations

9. Cabinet authority is sought to pursue, in principle, the relocation and provision of a modern equivalent replacement special school on a suitable location facilitated by the comprehensive development of the combined sites.

Legal Implications

10. The Council is obliged to obtain the best consideration reasonably obtainable from a disposal of land pursuant to s123 of the Local Government Act 1972. The consideration can take the form of works in lieu of a cash payment. The proposed transaction will need to take the form of a land disposal linked to a clawback of the land by the Council if the chosen developer fails to carry out the school works. Any relevant consultation will need to be carried out once the terms of a preferred bid are known. It will be necessary to ensure that value for money is obtained in regard to provision of the school

Financial Implications

11. The report proposes that the amalgamation of two sites would allow the replacement of the existing special school which is deemed to be a requirement of the Education Strategy for the City. Appendix 2 provides estimated valuations of sites and costs for replacement provision. The latter which are deemed acceptable by the education directorate in meeting operational requirements. Whilst the option of amalgamation initially indicates that there could be a net capital receipt for the site, any such estimates are subject to the outcome of expressions of interest.
12. The report indicates that the existing school has a significant backlog of maintenance. If no action were taken, future capital expenditure would be required to ensure the facility remained fit for purpose.
15. The report proposes delegation of Disposal of land at estimates included in confidential Appendix 2 be given to the Director of Economic Development following consultation with key stakeholders including Section 151 Officer. Financial implications would need further consideration at that stage.

RECOMMENDATIONS

The Cabinet is recommended to:

1. Approve in principle the relocation and provision of a modern equivalent replacement special school facilitated by the disposal of the combined sites A and B outlined in Appendix 1.
2. Delegate authority to the Director of Economic Development in consultation with the Director of Education and Lifelong Learning and Cabinet Member for Corporate Services and Performance to seek Expressions of Interest from the open market for the disposal of the land

marked A & B in Appendix 1 and the provision of a replacement Greenhill School on the basis of the details outlined in this report and to report back on the proposal for a replacement school.

NICK BATCHELAR

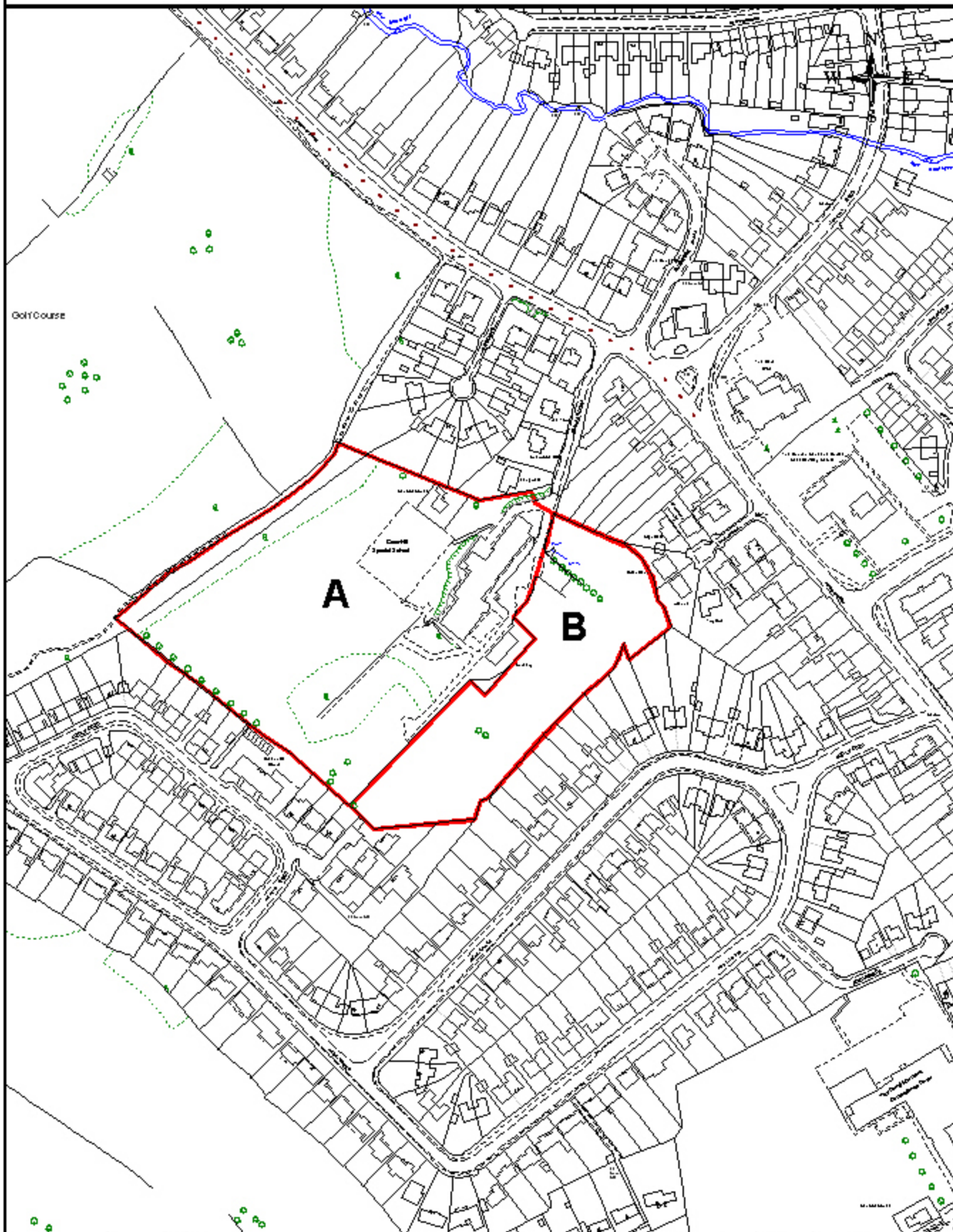
Director
10 July 2015

NEIL HANRATTY

Director
10 July 2015

The following Appendices are attached:

Appendix 1 Site Plan
Appendix 2 Valuation Advice (Confidential)



Rev No.	Details			Based upon Ordnance Survey 1:1250 mapping with the permission of Her Majesty's Stationery Office © Crown Copyright. Unauthorised reproduction infringes Crown Copyright and may lead to prosecution or civil proceedings. Cardiff County Council 10002376 (2013)
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By virtue of paragraph(s) 14 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

REVIEW OF PARTNERSHIP FOR CHANGE AGREEMENT

REPORT OF CHIEF EXECUTIVE

AGENDA ITEM: 7

**PORTFOLIO: CORPORATE SERVICES AND PERFORMANCE
(COUNCILLOR GRAHAM HINCHEY)**

Reason for this Report

1. An integral part of setting of Council Budget 2015/16 was the Partnership for Change Agreement reached with the Trade Unions. This report updates on progress with this and outlines the way forward.

Background

2. The Partnership for Change Agreement was signed off as part of the Council's final budget setting at Council on 26 February 2015. The agreement sets out details of the joint partnership approach between the Council and Trade Unions in relation to budget savings for 2015/16 on the basis that the Trade Unions did not wish any impact on employees' terms and conditions.
3. Progress has been made as part of this Agreement laying the groundwork to address the much more difficult challenges ahead around how we will, irrespective of any service delivery models agreed, jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction.
4. Progress has been achieved as follows:
5. As the **Workforce Package** ceased on 31 March 2015, working hours were reinstated from 1 April 2015, including addressing an issue around the value of carry over of leave and enabling staff who wish to remain on reduced hours to be able to do so. Agreement was also secured in relation to elements of the Workforce Package which will need to continue to stay in place for 2015/16 including non payment of professional fees (other than where essential for discharge of job duties), non payment on interview/removal expenses and continued suspension of the honoraria scheme

6. **Establishing a Joint Partnership Board** to support the reform agenda: the Terms of Reference and proposed dates for fortnightly meetings agreed on 12 February 2015 and continues to meet to ensure that partnership working is supported and that 2 way communication is maintained between the Council and Trade Unions on key planned and emerging issues around changing what and how we do things. This forum complements the existing Directorate led consultation and communication arrangements such as SAJCs.
7. **Development of a New Purchase of Additional Annual Leave Policy** following discussion with Trade Unions, a new policy has been agreed, FAQs signed off and Council wide communications circulated so that this new provision was available from 1 April 2015. To date, over 55 staff at a range of levels across the organisation have taken advantage of this scheme and we will continue to publicise its availability.
8. **Review of Attendance & Wellbeing Policy** - This review has been completed in consultation with stakeholders including Trade Union colleagues and Policy Review Performance Scrutiny Committee and was agreed by Cabinet on 11 June 2015. The next steps will involve making relevant changes to policy documents and systems and the revised arrangements will take effect from 1 July 2015. This will also include, developing a plan as to how the Council will pursue the Corporate Health Standard and development of a Health & Wellbeing Strategy to be considered by Cabinet in October 2015. To support this agenda further Stress control courses have been publicised through the Academy on the Intranet and following a positive pilot review, 1-to-1 Health & Wellbeing sessions will be re established in the near future.
9. **New Ways of Working** - A number of Directors have attended the Joint Partnership Board meetings to update Trade Unions on various projects on different ways of working, including the Neighbourhood services project, Alternative Delivery Models, Alarm Receiving Centre (ARC) Mobile Working & scheduling.
10. **Ensuring that 2015/16 budget is delivered** - the £5.75m funding gap for 2015/16 was addressed through a number of measures (outlined below) including reductions in agency and discretionary overtime spend and a revised Voluntary Redundancy Scheme agreed from 3 April 2015 including for the first time a clear policy statement regarding the re employment of returners (i.e. they cannot return within 12 months of the date they took voluntary redundancy from the Council. This applies also to schools related redundancies).

Proposals to meet £5.75m Planning Assumption in 2015/16	£000
Revision of the voluntary severance scheme	2,000
Reduction in agency spend	200
Reduction if discretionary overtime	150
Management de-layering	200
Voluntary schemes e.g. purchase of leave	300
Refine pay award calculations	400
One off capitalisation	2,500
Total	5,750

11. **Payroll Rationalisation** - efficiencies from reducing current 3 payrolls to 2 (i.e. removal of 4 weekly/lunar payroll) have been agreed and following consultation, planning and communication, the reduction to 2 payrolls (i.e.15 and 28 of each month) was achieved with effect from 1 June 2015.
12. Facilitated by ACAS, a jointly agreed revision of the Trade **Union Partnership and Protocol** has been agreed which will govern how we do business going forward, reflective of the Council's values of Open, Fair and Together. Funded by Welsh Government, ACAS will facilitate a further workshop in July with Directors, Managers and Trade Union representatives to identify and share best practice and look at ways to improve communication with Trade Union partners. The commitment to hold further ACAS workshops was set out in the Council's Workforce Strategy approved by Cabinet in April. The next issue will be to review and update the existing Trade Union Facilities Agreement which has been in place for some years.
13. Tier 1 of the Senior Management Review has been concluded and has resulted in the deletion of a number of Director posts and a saving of £650k as part of the agreed 2015/16 budget. The **management delayering** of £200k referred to in the table above will be an additional saving and on going process throughout 2015/16.
14. Where the Council is able to **retain enhanced services in-house**, there will be a real commitment to developing the skills and capabilities of the workforce, prioritising employee engagement activities, maximising the use of the developing technologies, enhance and further develop some of the efficient working practices we have. The new Cardiff Manager Programme (attendance is a requirement for all Grade 8, 9 and 10 managers) is a key part of developing the workforce.
15. Building on last year's successful Roadshows, a **Programme of Engagement for 2015/2016** has been put in place, with the primary

focus of engaging with frontline employees. The Ambassador network continues to grow with over 130 employees at all levels from across the Council helping to take forward the Employee Engagement agenda. In addition 'Have Your Say' sessions have been introduced as a response to employees' preference for face to face communication. To support the embedding of the Cardiff Standard for senior managers, managers and employees the Employee Charter has been incorporated into the Council's Performance Management through a cascaded behavioural objective for all employees. The Employee Survey, launched in May, will provide an opportunity to understand where effort needs to be focused going forward. The Council's Workforce Strategy (which included the Employee Charter) was approved by Cabinet in April 2015 to enable the organisation to create a culture that supports and enables a flexible, skilled, engaged and diverse workforce and will help deliver the Organisational Development Plan and the Corporate Plan

16. Work has started at reviewing aspects of our key **HR policy framework** so that processes are transparent, fair, proportionate and streamlined. For example, a significant piece of research has been completed independently relating to Review of Workplace Investigations. The findings and recommendations of that Review are that there needs to be a major organisational change to the way that workplace investigations are managed in the Council. Maintaining the current arrangements is not an option as there are considerable costs in terms of wastage of staff resource on unnecessary work, cost in terms of high sickness absence, and the length of time investigations are taking and staff consequently on extended periods of paid suspensions from duty. A series of recommendations relating to changes proposed are currently at the early stages of consultation and include separation of policy and guidance, introduction of early resolution and fast track approaches in certain circumstances, greater clarity of roles, provision of enhanced guidance and supported by management information that is accurate and simplified which will enable efficient monitoring and ultimately reiterate accountabilities. The objective remains that investigations are undertaken as quickly as possible without compromising quality together with the cultural change which will restore balance in the disciplinary process, instil a sense of "natural justice", and lead to improved outcomes. Following conclusion of consultation with stakeholders it is anticipated that revised proposals will be considered by Cabinet later in the Autumn.
17. To assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model Evaluation Methodology has been developed by the Commissioning and Procurement Service. This methodology has been approved by the Commissioning Programme Board and reviewed by Informal Cabinet and the Council's Policy Review and Performance Scrutiny Committee. The methodology, together with the other elements of the options appraisal, has also been subject to external challenge and review and has also been subject to consultation with the Trade Unions which has included a series of meetings and workshops.

18. Whilst much has been achieved in many arenas and can be built upon going forward, in this respect the Partnership for Change Agreement as originally written, has facilitated changes and has supported broader discussions about key issues. There now needs to be a shift which moves the focus away from the traditional (and annual) reduction required in relation to employee costs to an emphasis for everyone on accountabilities relating to improving productivity, managing performance & maximising attendance which are all interrelated:

Improving Productivity

19. This is seeking a commitment to engage with improving working practises whether this is in terms of job content, using latest technological developments suggestions about how service improvements can be secured
20. An example of this arises from the Mobile Working & Scheduling Project which originated within Communities Maintenance Services (CMS) within the Communities Directorate. This part of the Directorate provides responsive and planned maintenance services for approx 13000 domestic properties in Cardiff. The project involved rolling out of new technology required for mobile working and scheduling. This necessitated a complete restructure of the organisation to deliver this new way of working along with closure of stores at the depot and implementation of kerbside delivery. New systems and technology now automate the reporting of a repair needed, booking an appointment and job being sent to the relevant trade person which is beneficial both to the customer and the employee concerned. The implementation of the technology has enabled the workforce to be more productive (plus performance management information) and an increase in works undertaken in house rather than by contractors will result in savings.
21. This approach is now being extended with modifications required to the Reablement Homecare Service within Health & Social Care. Other areas being explored to maximise the use of technology includes e.g. use of e-pay slips for pc users rather than production (and postage in some cases to home addresses) of paper pay slips

Managing Performance

22. In response to WAO assessment that “performance management arrangements has failed consistently to secure improvements in the past”, effective review of performance remains a key area for improvement within the Council’s Performance Management Framework which now incorporates the Challenge Forum. It provides the opportunity to challenge performance levels and helps the Council reprioritise efforts to secure the delivery of the Council’s priorities and targets.
23. As part of the Organisational Development Programme, the work stream of Engagement & Improvement was established in response to the need to make excellence in performance planning and management the norm. Achievements have included improvements in the corporate plan and

corporate planning arrangements by addressing issues raised by WAO last year. This positions the Council in a better place to, for instance, respond to emerging legislation. In terms of performance management, appropriate governance arrangements to facilitate challenge have been put in place in addition to embedding a culture of accountability and responsibility which is commensurate with other local authorities who have a track record of performance management. Initiatives such as Star Chamber Challenge Forums, Improvement Boards, Challenge Forum, streamlined PP&DR process and introduction of the new Cardiff Manager Programme will assist.

24. The Council is seeking a shared commitment to continue to build on the start already made and continue to drive performance management whether this is through the PP&DR process, more effective management of agency resource or reductions in overtime spend.

Maximising Attendance

25. This is seeking a commitment, working with the Trade Unions, to meet the Council wide target of 9 days sickness absence for 2015/16 per employee. Following extensive consultation, the revised Attendance & Wellbeing Policy was agreed by Cabinet on 11 June 2015 and applies from 1 July 2015. Whilst improvements have been secured over the years in reducing sickness levels (the outturn for 2014/15 represents the lowest outturn achieved since monitoring commenced) the overall target of 9 days for 2014/15 was not achieved. Whilst the corporate target was not met, some key areas made substantial improvements and either met or exceeded their targets e.g. Environment, Childrens Services.
26. On this basis, the policy review approach taken was largely to tighten and strengthen the policy and make managers more accountable for managing absence rather than make major changes at this time. Recommendations included that implementation be subject to review following a further 12 months of operation and that a Health & Wellbeing Strategy (including Employee Assistance Programme and Corporate Health Standard) be brought forward to a Cabinet meeting in the Autumn. However it is clear that should the target for 2015/16 (9 days) not be achieved, the next review of the policy will need to explore more wide ranging and potentially radical changes.
27. Further work is being done to provide Directors and managers with additional management information regarding OHS referrals and “costs” of sickness absence. Compliance with the revised policy will continue to be driven and reported more widely. Inclusion of a cascade objective around managing absence included in 2015/16 PP&DR process for all managers will assist.

Reasons for Recommendations

28. The Partnership for Change Agreement has provided the groundwork for future changes required. This report identifies some of the achievements secured but also recognises the need to increase the pace of change

and the need to embrace the modernisation agenda against a backdrop of continuing financial constraints and significant budgetary savings required.

Legal Implications

29. The Partnership for Change Agreement is not in itself a legally binding document but it provides a framework for considering with the trade unions various employment issues which have budgetary implications.

Financial Implications

30. Currently the Council is still projecting the savings outlined under paragraph 10 to be achieved. Savings related to the revision of the VS scheme and pay award calculations were achieved and there are early indications of reduced spend in relation to agency and discretionary overtime. Whilst savings are still anticipated in relation to management de-layering and one off capitalisation, these are dependent on further work /capital receipts. At this stage, projected savings regarding uptake of voluntary schemes by staff e.g. purchasing annual leave, reduced working hours, flexible working, etc are not aligned with the target set. This will be kept under review and further publicity on the availability of these schemes for staff will be undertaken.

RECOMMENDATIONS

Cabinet is recommended to:

1. acknowledge the progress made as part of the Partnership for Change Agreement with the Trade Unions.
2. endorse the continuation of the Joint Partnership Board in its current form as a forum for discussion, communication and consultation.
3. endorse the need for the future approach to focus on improving productivity, managing performance and maximising attendance & wellbeing.
4. confirm the continuing commitment to work in partnership with the Trade Unions in seeking to achieve a balanced budget for 2016/17.

PAUL ORDERS

Chief Executive
10 July 2015

The following background paper has been taken into account:

Partnership for Change: Reform Agenda. Cabinet Report 26 January 2015.

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

**INFRASTRUCTURE SERVICES - ALTERNATIVE DELIVERY
MODEL**

REPORT OF DIRECTOR OF CITY OPERATIONS

AGENDA ITEM: 8

PORTFOLIO: ENVIRONMENT (COUNCILLOR BOB DERBYSHIRE)

Reason for this Report

1. To advise Cabinet on the outcomes of the Outline Business Case undertaken to evaluate the short list of alternative delivery models approved by Cabinet on 20 November 2014.
2. To seek Cabinet approval on the conclusion of the report regarding the most appropriate future delivery model for the services currently within scope of the project and the undertaking of a Full Business Case analysis as detailed in the report.

Background

3. On 15 May 2014, Cabinet approved the report of the Chief Executive entitled '*Establishing a Programme of Organisational Change for the City of Cardiff Council*'.
4. The report set out a number of critical challenges facing the Council and the need to move rapidly to a new model of service delivery that enables the effective management of current and future demand with vastly reduced resources. This would involve a consideration of a full range of service delivery models and providers.
5. The report established an Organisational Development Programme which involves two principle portfolios of work: (i) Enabling and Commissioning Services and (ii) Reshaping Services. One of the priority areas of work identified within the Enabling and Commissioning Services portfolio was the Infrastructure Services Alternative Delivery Model project. The services identified in Table 1 below are currently included within scope of the project:

Table 1 Directorates and services in scope for Infrastructure Services

Directorate	Service Area(s)
City Operations (Previously Environment)	<ul style="list-style-type: none"> • Waste Collections (Commercial and Residential) • Street Cleansing • Waste Treatment and Disposal • Waste Education and Enforcement • Pest Control
City Operations (previously Culture, Leisure and Parks)	<ul style="list-style-type: none"> • Parks Management and Development • Landscape Design
City Operations (previously Strategic Planning, Highways, Traffic and Transport)	<ul style="list-style-type: none"> • Highways Operations • Highways Asset Management • Infrastructure Design and Construction Management
Resources	<ul style="list-style-type: none"> • Central Transport Services • Hard Facilities Management • Soft Facilities Management Cleaning • Soft Facilities Management Security
Economic Development	<ul style="list-style-type: none"> • Projects, Design and Development

6. The gross expenditure and net expenditure budgets for the 2015/16 financial period for the services in scope is approximately £72.8m and £29.1m respectively. The number of Full Time Equivalents (FTE's) funded by this budget at the start of the 2015/16 year was approximately 1032.

On 20 November 2014, Cabinet was provided with an update on the work undertaken to date across infrastructure services to improve the efficiency and effectiveness of services delivery. Cabinet also received an overview of the initial evaluation of available alternative delivery models for the services within scope of the project. At this meeting, Cabinet approved: *That the recommended short list of alternative delivery models stated below be subject to:*

- i. consultation with residents of Cardiff;*
- ii. a business case analysis with the intention of identifying preferred future service delivery model(s) for the scope of services (as may have been amended) :*
 - *Modified In-house,*
 - *Wholly Owned Arms Length Company,*
 - *Public/Public Joint Venture,*

- *Public/Private Joint Venture, and*
 - *Outsourcing*
- iii. *The publication of a Prior Information Notice (PIN) with a Memorandum of Information in the European Journal to ascertain market interest in the scope of services being considered by the project;*
 - iv. *Delegation to the Chief Executive, authority to allocate resources as required to maximise the effectiveness of the ongoing Neighbourhood Services pilot, and*
 - v. *It receives a further report following completion of the business analysis which will set out the responses received to the consultation and the impact which those responses have had on the development of the business analysis and making a recommendation as to the preferred future service delivery model(s) to be adopted.*
7. The work undertaken in response to these recommendations is summarised in this report and full detail is provided in the Outline Business Case attached as Appendix 1.
 8. The Outline Business Case document, and the associated alternative delivery model evaluation work, has been subject to a robust independent review and challenge by Local Partnerships. Local Partnerships were appointed to undertake this work because of its unique public sector status, being jointly owned by the Local Government Association and HM Treasury. Local Partnerships are therefore well positioned relative to both national and local government and capable of providing unique insight into current best practice and market intelligence from across the UK. Local Partnerships also offer extensive experience in supporting the public sector, particularly local authorities, in matters relating to the delivery and transformation of infrastructure type services.

Infrastructure Services – Project Objectives

9. The objectives of the Infrastructure Services Project, which are consistent with those identified in the Organisation Development Cabinet Report approved on 15 May 2014, are as follows:
 - reduce operating costs;
 - improve outcomes to address current performance weaknesses;
 - improve customer satisfaction, demand management and reduced failure demand, to more effectively address the increasing demand for services;
 - develop effective partnership and collaborative working, where appropriate, and
 - optimise income generation to support core funded services.
10. At the outset of the project, it was established and understood that the responsibility for determining the strategy and service requirements

relevant to each service would be retained by the Council. Regardless of the arrangements established for the delivery of the services in scope, whether in-house or otherwise, the Council would retain responsibility for setting the Authority's requirements and performance management arrangements of the selected model, delivering the regulatory role and protecting the Council's interests.

Business Case Methodology

11. The Council's Outline Business Case template has been used as the basis for the Outline Business Case report attached as Appendix 1. This was developed using the Office of Government Commerce (OGC) "Five Case Model", the best practice standard recommended by the HM Treasury for use by Public Sector Bodies when evaluating public sector proposals. Essentially, it enables the Council to identify which of the options should be subject to a Full Business Case Analysis ahead of the proposals being implemented.
12. Undertaking Full Business Case (FBC) process represents the next step and would contain full details of the way forward. The FBC would then form the basis of a detailed business plan for any of the models moving forward and would be the subject of a further report to Cabinet. This report seeks approval of the Outline Business Case (OBC) only and is the 'gateway' to the next detailed stage.

Service Reviews

13. An important step in preparing the OBC was the completion of the Service Reviews for each service within the scope of the project. As noted in the report approved by Cabinet on 20 November 2014, the Reviews followed a corporately agreed format to ensure a structured, consistent and transparent approach was taken to identifying the strengths, weaknesses, opportunities and threats facing the service, taking account of the needs of customers and their demands on the service, staffing of the service, service delivery performance, and financial performance.
14. Each review was concluded with a statement of the strengths, weaknesses, opportunities, and threats (SWOT) relevant to the service. These SWOT analyses, summaries of which are included in the attached OBC, provide a compelling case for significant change to many of the current operating practices in place. A short summary of the generic strengths, weaknesses, opportunities and threats identified across many of the services, which cohere with the project objectives, include the following:
Strengths
 - Appropriately skilled front line and managerial/supervisory staff with appropriate skills, knowledge and experience relevant to the services being provided, and
 - Generally good levels of Customer satisfaction based on responses from the 'Ask Cardiff' surveys.

Weaknesses

- Although improvements to sickness absence levels were achieved during the 2014/15 financial period in some services, the absence levels in many of the services within scope remain above industry average which has an adverse impact upon service delivery and operational costs;
- A high level of unwanted and repeat demand on some services as recorded by Connect to Cardiff;
- A lack of industry standard software and hardware to support processes, such as mobile working technology, which would facilitate better management of performance, information and allocation/ scheduling of work, address custom and practice issues, reduce wasted time, repeat demand and improve back office processes;
- Current pay enhancements, which make working at night or at weekends more costly and less competitive;
- The duplication of activities across services due to the existing silo approach of services within directorates for vested land management and other assets, and
- Performance issues in respect of the Council's fleet, in particular, financial management, governance and also day to day use of the vehicles.

Opportunities

- Further commercialisation of services to increase the amount of external income earned, and
- Improving existing partnerships and developing new relationships with business, community enterprise groups and the third sector voluntary groups

Threats

- The impact of further revenue budget and grant reductions, and
- An increase in demand resulting from demographic growth.

Alternative Delivery Models Considered

15. The Outline Business Case analysis has considered the five alternative delivery models approved by Cabinet on 20 November 2014, that is:
 - Modified In-House,
 - Wholly Owned Arms Length Company,
 - Public/Public Joint Venture,
 - Public/Private Joint Venture, and;
 - Outsourcing
16. A description of each of these models is included within the Outline Business Case. However, it should be noted that a significant amount of

In-house Model improvement work has already been implemented. Of particular note is the progress made on the Neighbourhood Management Services project. The Services involved include Parks Maintenance, Street Cleansing, and Waste Enforcement, all of which are in scope of this project. This project has led to improved land and street scene service, whilst delivering cost efficiencies, improved customer satisfaction and maintaining resilience to service performance during a period of significant budget cuts.

17. Following a detailed resource analysis, with analysis and rapid improvement events with frontline operational teams, a pilot commenced in the South West Neighbourhood Management area (comprising the wards of Riverside, Canton, Caerau and Ely) in February 2015. Early feedback from a service delivery and workforce point of view has been positive and in June, this approach was rolled out to the Cardiff West and Cardiff City and South Neighbourhood Management areas. It is intended to expand this new way of working across the other three neighbourhood areas by September 2015. This is an example of service delivery becoming more responsive to the needs of the community and allowing staff to have more autonomy in addressing those needs. In addition to improving service delivery, this initiative is expected to save the Council c£1.6m per year going forward.
18. Another improvement of note is being achieved in Highways Operations on the back of a Director led Engagement Programme initiated in 2014/15. The focus of the programme has been to improve communications, improve relations between management and frontline staff, and thereby improve performance. The success of the engagement programme, although ongoing, can be seen through improvements in service delivery flexibility and performance. For example, the completion of Category 2 safety repairs to the highway (within 28 days) increased from 48.69% in July 2014 to 97.26% in March 2015.
19. Furthermore, the Education Cleaning resources have now been fully integrated within Facilities Management Cleaning Services function. This has been done to improve operational efficiencies and standardise service delivery processes. A strong commercial focus is being targeted with the objective of achieving commercial growth through providing services to other public sector organisations during this financial year and beyond.

Stakeholder Engagement

20. At the outset of the project, engagement with key stakeholders including Members, Unions, staff and Cardiff residents, was identified as an important factor in the success of the project. A Stakeholder Engagement Plan was therefore developed and implemented at an early stage which has been reviewed and updated on a regular basis as the project has progressed.
21. Consultation with the Unions commenced at the end of May 2014, shortly after Cabinet approved the Chief Executives Organisation Development

report, through the Trade Union Budget Forum. Ongoing consultation has focused particularly on Service Reviews and the development of the Corporate Alternative Delivery Model methodology. Relevant staff have been regularly engaged with the Partnership Board and a number of other meetings providing important opportunities to do so.

22. Engagement work has been undertaken ahead of all critical decision points, including Cabinet's consideration of this report, the report in November 2014, and also the release of Scrutiny's Task and Finish Group report in June 2015. Staff have been kept updated on progress through the individual Directorate Service Area Joint Committees (SAJC's). Articles have also been included in the Council's 'In-box', the Core Brief as well as shared during local staff briefings. This engagement will continue in more depth as the project moves forward.
23. In respect of Members, an article was included in the Members newsletter in December 2014. Member briefings were also undertaken in the period leading up to Cabinet considering this report.
24. The view of residents regarding the use of alternative delivery models to provide services was also sought through the 'Cardiff Debate' engagement and collaboration process. Of the 4191 responses, 3583 (c.85.5%) respondents had completed the Infrastructure Services Alternative Delivery Models question '*Do you agree that the Council should consider alternative ways of delivering the services identified?*' Particular points to note from the consultation include:
 - 65.7% of the respondents agreed the Council should consider alternative delivery models whilst 22.9% weren't sure/didn't know;
 - The Modified In-house option was the most popular preference of respondents (36.7%). However, the Wholly Owned Company was the second choice (12%). The Public/Public JV, Public/Private JV and Outsourcing were the third/fourth and fifth preferences respectively (11.7%, 6% and 6.8% respectively). Some respondents didn't know or had no preference;
 - The most important factors in deciding which model should be used, as identified by the respondents, were as follows:
 - Quality of service (90.3%);
 - Keeping implementation costs to a minimum (49.0%)
 - Frequency of service 1656 (48.2%)
 - Certainty of achieving budget savings (43.0%);
 - Less than a quarter of respondents (24.8%) believed that 'who delivers the service' was of paramount importance when selecting a preferred delivery model for the services in scope;
 - Of the 258 open comments received:
 - 102 (39.5%) were opposed to private sector involvement for fear that service delivery will be profit driven;
 - 83 (32.2%) were concerned about cost and quality implications if the services were moved beyond Council control, and

- 30 (11.6%) believed there was a need to improve Council management and move towards a new business model whilst retaining control.

Future Communications Plan Principles and Tools

25. It is essential that a high level of stakeholder engagement is retained as the project progresses and that the work is effectively communicated with all stakeholders. In view of this a stakeholder mapping exercise will be undertaken to identify the 'audiences' that need to be engaged. Key messages and objectives will be set, with communications channels established to ensure stakeholders identified as 'High Influence, High Interest' receive all relevant information to establish 'buy in' to the Project.
26. Employee engagement will be critical to the success of the project. All staff identified as 'in scope' will need to further understand the reason for this project, understand the business case and the income opportunities that the recommended preferred way forward identified later in this report will bring. It is important that employees understand the drivers for change as identified earlier in this report. The intention is to establish 'Project Champions' from the workforce, ensuring that employees representing each service area are involved. Communicating the Business Case will also be essential if staff if they are to understand the reasons for the work being undertaken.
27. The Communications Strategy and Plan will therefore ensure that information is provided in a timely and effective way, and through a variety of appropriate channels (i.e. enhanced social networking methods as well as insuring strong verbal and written and verbal communications) to all identified stakeholders. To support the project through each phase of the development a Transition Plan will be prepared as part of the Full Business Case work recommended later in this report

Evaluation of Alternative Delivery Models

28. A robust overarching process has been used for the appraisal of the five alternative delivery models from a risk assessment based approach. The first step established a new corporate alternative delivery model evaluation methodology. This was developed by the Council's Commissioning and Procurement Service, approved by the Project Enablers and Commissioning Programme Board, reviewed by Informal Cabinet, and considered by the Council's Policy Review and Performance Scrutiny Committee. It has also been subject to external challenge and review by Local Partnerships and subject to detailed consultation with the Trade Unions
29. A further component to the assessment has been the high level financial analysis of savings, income opportunities and costs. This included the consideration of:
 - Implementation timescale;
 - Efficiency savings;

- Income generation opportunities;
 - trading company management costs (for a company model);
 - Procurement timescales and costs (for a Joint venture partner or contracted model);
 - Implementation and/or set-up costs including the consideration of commercialisation;
 - Taxation, and
 - Overheads and Reductions to Council support services.
30. In addition to the Corporate evaluation and financial assessment the models were tested against a number of other factors such as: to what extent would each model offer flexibility for responding to any change in local authority boundaries and for working with other authorities or public sector partners; how supportive would stakeholders be, and what would be the likely impact upon staff and young people. Risk management was also considered throughout this work.
31. A summary of the soft market testing and the evaluation work described above is summarised in the following sections and fully detailed within the Outline Business Case attached as Appendix 1.

Soft Market Testing

32. Following the publishing of a Prior Information Notice (PIN) in the European Journal late November 2014, an Information Open Day was held on 8th December. Approximately 25 private and public sector organisations attended on this day following which 11 of these organisations subsequently met separately with Council Officers to answer a series of pre-set questions. These meetings demonstrated that there is market interest for delivering, or assisting to deliver, the services within scope of the project. The meetings also provided useful information in respect of the evaluation of the models and also the completion of the Outline Business Case.

Corporate Alternative Delivery Model Evaluation Methodology

33. The methodology involves three key processes:
- scoring each alternative delivery model against eight evaluation criteria on a scale of 1 – 6 in terms of ability to meet criteria, where 1 represents minimum ability and 6 maximum ability;
 - the allocation of weightings (of cumulative value 100) according to the priorities for each service against eight evaluation criteria, and
 - Multiplying the model scores against the service area weightings to determine the cumulative scores for each model for each service being considered.
34. The scoring of each alternative delivery model against the eight evaluation criteria was completed by the Project Team, subject to challenge by Local Partnerships, and approved by the Project Enablers

and Commissioning Board. The model scores were then subject to consultation with the Unions.

35. The allocation of weightings (of cumulative value 100) according to the priorities for each service against eight evaluation criteria was initially undertaken by the relevant Operational Managers and then subject to challenge by the Directors, Union Representatives and also externally by Local Partnerships.
36. The scores for each alternative delivery model for each service in scope were determined by multiplying the models scores by the service area weightings. These are detailed within section 2 of the Outline Business Case. In summary, the alternative delivery models with the majority of the highest values using the new corporate alternative delivery model evaluation methodology are the Public/Private Joint Venture and the Public/Public Joint Venture models. This evaluation tool is a method for Cabinet to consider its appetite for retaining a level of risk, or control and level of flexibility the models offer, which may differ from that provided by the Joint Venture models. This is further discussed in the Summary and Proposed Way Forward section later in the report.

High Level Financial Analysis

37. In order to undertake the high level financial analysis, it was necessary to make a number of assumptions regarding each model. These assumptions, which are referred to in paragraph 28 above, were informed by evidence obtained from the Soft Market Testing exercise, in particular the one to one meetings with potential bidders, and from further direct conversations with relevant organisations including as part of the Scrutiny Task and Finish Group site visits. In addition they have been the subject of further discussions with Local Partnerships. Nevertheless, as with all financial modelling, there is an inherent risk with the assumptions made, which should also be tested. The results derived from the model were therefore used as part of the package of evaluation tools and not the sole determinant of the preferred model.
38. Information regarding the assumptions made in respect of each of the headings in paragraph 28 are enclosed in Appendix 3 of the Outline Business Case. The models were evaluated over a 12 year period to allow for a 2 year procurement / mobilisation period for the models with an external partner and a 10 year contract period which is typical of the JV arrangements.
39. In respect of the Modified In house model, it was possible to make more specific assumptions for the first three years of the evaluation period based on the savings plans prepared by the Operational Managers for the services in scope for the 3 year MTFP period commencing in 2015/16. For 2015/16 the additional savings over the agreed 2015/16 Budget proposals were captured. A summary of the savings proposed for each service over this 3 year period for the categories identified below is provided in Table 2 below.

Table 2 Summary of In-house Savings for period 2015/16 to 2017/18

SERVICE	Directorate	Pay Enhancements / Working Practices	Policy Change Enablers	Income	TOTAL
	£'000	£'000	£'000	£'000	£'000
Waste Collection	31	729	224	40	1,024
Street Cleansing	0	258	44	0	302
Waste Education & Enforcement	90	15	0	0	105
Waste Treatment & Disposal	150	63	0	5	218
Pest Control	0	0	10	20	30
Highway Operations	1471	99	100	26	1,696
Highways Asset Management	20	0	0	0	20
Infrastructure Design & Construction	52	8	0	0	60
Parks	25	126	0	0	151
Central Transport Service	75	25	0	105	205
Cleaning non-schools,	10	20	0	70	100
Security and portering	0	120	0	0	120
Hard Facilities Management (excluding Housing)	0	0	0	0	0
Projects Design & Development	5	17	0	0	22
TOTAL ADM	1,929	1,480	378	266	4,053

40. It can be seen from this table that the In-House savings have been identified within the categories of:

- 'Directorate' – that is, saving proposals unique to the services within scope;
- 'Working practices' and 'Pay Enhancements' - that is, savings arising from changes to current working practices that adversely affect work productivities and efficiencies as well as savings arising

from changes to the current pay enhancements. For legislative reasons, the changes to Pay enhancements could affect all Council employees and not just those within scope of this project;

- ‘Policy Change Enablers (that is, changes to some existing Council policies, for example, the Attendance and Wellbeing Policy), and
- ‘Income’ – that is, growth of existing income streams and/or income from new trading activities. The amounts identified in the above table refer to the surplus arising from the trading activities (that is income minus costs).

41. It is important to emphasise that the total value of savings identified in Table 2 were identified as opportunities in the Councils Medium term Financial Plan 2015-18 and formed part of the Budget setting for 2015/16. This is reflected in the Council’s proposed Budget Strategy for 2016/17 and the Medium Term.
42. It should be noted that going forward the services in scope may be subject to further budget reductions and thus to consequential reductions in service. The detail of which will be subject to full negotiation with staff and Trade Unions as part of the FBC stage and would be also subject to approval of the recommendations of this report and Budget Council.
43. It should be noted that in the high level financial analysis, it has been assumed that the Modified In-House saving proposals would also be fully implemented for the Wholly Owned Company alternative delivery model.
44. A summary of the evaluation is included in Table 3 below which includes both the net cash benefit and the Net Present Value (NPV) over the evaluation period for each of the models. The NPV analysis has been included given the relatively long 12 year evaluation period.

Table 3 Cost Savings for Each Model

	Cash benefit		NPV benefit	
	£000	Rank	£000	Rank
Modified In-house	12.524	4	10.513	4
Wholly Owned Company	17.089	1	14.394	1
Public Public JV	14.617	3	12.296	3
Public Private JV	15.008	2	12.455	2
Outsource	11.964	5	10.463	5

45. The Table above identifies the Wholly Owned Company (WOC) model as the preferred option in terms of the projected financial benefit to the Council over the evaluation period.
46. The paragraphs above have highlighted the number of assumptions that have been used in the construction of the summary financial model. To model the impact of changing some of these assumptions a number of different scenarios and combination of scenarios have been run. The results of this sensitivity analysis are included in Appendix 4 of the Outline Business Case attached to this report as Appendix 1 but a

summary of the specific scenarios and the highest ranking model for each scenario is provided in Table 4 below:

Table 4 Sensitivity Analysis – Summary of Results

SENSITIVITY	Highest Model	Ranking	NPV
			<u>£000</u>
BASE CASE			14.394
1. External Partner : Efficiency increase of 5%	WOC		14.394
2. External Partner : Turnover increase of 10%	WOC		14.394
3. In-house / WOC : Reduce efficiency savings by 25%	Private JV		12.455
4. In-house / WOC : Reduce efficiency savings by 50%	Private JV		12.455
5. External Partner : Reduction in Overhead to 3.5%	WOC		14.394
6. In-house / WOC : Implementation Costs increase of 50%	WOC		13.944
7. Combination of 1,2,3,5 and 6	Private JV		15.145
8. Combination of 1,2,4,5 and 6	Private JV		15.145
9. Combination of 1,2,5 and 6	Private JV		15.145
10. Combination of 1,2 and 5	Private JV		15.145

47. The conclusion from Table 4 above is that with most of the single variable scenarios the Wholly Owned Company model is still the best option in terms of the delivery of projected savings to the Council over the evaluation period. There are however a number of scenarios in which the Wholly Owned Company model is displaced as the best option by the Public Private JV model. Of these scenarios the non-achievement of in-house (and by implication the Wholly Owned Company) savings are the most significant assumption.

48. As part of the high level financial analysis work undertaken, an assessment of the income currently earned by the services in scope was also completed. In summary, for the 2015/16 financial period, of the c£72.8m gross budget, the total income budget is c. £43.7m (c60%) comprising internal income, grants, external income, and 'other (e.g. income from the Housing Revenue Account and Harbour Authority). The value of external income budgeted is c£8m (c.11%).

Other Factors

49. Table 5 below summarises the other factors that have been considered in the evaluation of the five alternative delivery models. A more detailed version of this can be found in Appendix 5 of the Outline Business Case.

Table 5 Other Factors Considered in Evaluation of Alternative Delivery Models

	Modified In-House	Wholly Owned Company with Teckal Exemption	Corporate Public JV with Teckal Exemption	Corporate Private JV	Outsourcing to a private operator
Commercial Opportunities	Limited by statute and ability to make a surplus/profit	Limited to 20% of turnover of Company activities	Limited to 20% of turnover from JV Company activities. JV partner would provide commercial expertise. Profit would be shared	Unlimited. . JV partner would provide commercial expertise Profit would be shared	Unlimited. However, sharing of benefits would have to be contracted.
Implementation Time	Min 9 months timescale for full implementation	9-12 months implementation timescale	12 - 18 months implementation timescale	18-24 months implementation timescale	12-18 months implementation timescale
Indicative Contract Period (if applicable)	Not applicable but performance would need to be regularly reviewed	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle),	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle),	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle),	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle),
Extent Adopted by Other Councils	Numerous examples of such service provision across all service areas	Recent examples in respect of environmental and FM type services	Numerous examples in respect of most services except highways but limited Public companies offering JV's for services in scope	Numerous examples for services in scope	Numerous examples for services in scope
Impact upon staff employment status	No change to employment status	Council employees would transfer under TUPE	Council employees would transfer under TUPE	Council employees would transfer under TUPE	Council employees would transfer under TUPE)

Organisation Governance	Current Governance and democratic accountability arrangements would continue	Through company Board typically with Directors comprising Council Members/Directors, and Company Senior Employees and Commercially experienced Non Executive Directors	Through JV Board typically with Directors comprising Council Members/Senior Officers (likely to be in minority) and JV Partner Senior Employees	Through JV Board typically with Directors comprising Council Members/Senior Officers (likely to be in minority) and JV Partner Senior Employees	Through relevant provisions within the agreed contract
Client Management	No change	Proportionate client role required for performance tests	Enhanced client role required	Enhanced client role required	Full client role required
Political Support	High	High	Medium	Low	Low
Union Support	High	Medium	Low	Low	Low
Cardiff Residents Support*	Preferred Model	Second Preferred Model	Third Preferred Model	Fourth Preferred Model	Least Preferred Model
Financial and contractual flexibility	High	High	Medium	Medium	Low
Strategic Control	High	High	Medium	Medium	Low
Flexible for Collaboration agenda and other Council engagement for services	Medium	High	Low	Low	Low

Scrutiny

50. Shortly after the establishment of the Infrastructure Services project, the Environmental and Policy Review and Performance Scrutiny Committee's set up a joint Task and Finish Group to consider potential alternative delivery options for the Council.

51. In undertaking its work, the Task and Finish Group drew upon three key sources of evidence:
- Analysis of the Service Review documents referred to earlier in this report;
 - Fact finding visits to exemplars of the potential models of operation: modified in-house provision (Oxford Direct); wholly-owned company (Cheshire East and Cormac Solutions); public/public joint venture (Wellingborough Norse); public/private joint venture and outsourcing (Birmingham Amey). This was supplemented with further analysis of other examples of each model in operation, and
 - Verbal or written evidence from a wide range of stakeholders including: Council Members (including Cabinet Members); Service Area Managers; Officers representing the Council's Legal, HR and Commissioning and Procurement Services, and also Trade Union representatives.
52. From this evidence, the Members drew key findings and 27 recommendations. These are identified within the Task and Finish Report which is attached as Appendix 2.
53. A response to the recommendations in the report is enclosed as Appendix 3. In summary, 11 of the recommendations are accepted, 14 partly accepted and 2 not accepted.
54. It should be noted that the work undertaken by both the Task and Finish Group Members and Council Officers in completing the research, visits to other Councils and preparing the report is gratefully acknowledged. It is also recognised that the quantum of work undertaken meant that the internal research focused upon the 2013/14 financial period. This is recognised as a factor of influence in some of the recommendations of the report not being accepted or only partly accepted.

Summary and Proposed Way Forward

55. The alternative delivery models with the majority of the highest values using the new corporate alternative delivery model evaluation methodology were the Public/Private Joint Venture and Public/Public Joint Venture model. An examination of the model scores in the Outline Business Case shows that critical factors in determining the higher values for these models include the transfer of risk in relation to the achievement of cost reductions, exploiting income opportunities and also the transfer of risk in relation to the improvement of service delivery performance and capacity. This methodology in assessing appetite for risk and control will therefore be heavily influenced by how the current stakeholder views their current operating environment according to the resources, commercialisation, technology and governance in place at the time of the weighting assessments.

56. However, the Cabinet are requested to consider that, on the basis of the high level financial analysis undertaken and discussions with Senior Management, the savings, growth in income and service delivery improvements identified by the Outline Business Case analysis can be delivered in a timely manner without the assistance of an external public or private contractual partner. Consequently the Cabinet may be minded to accept retaining a level of risk greater than a public public/ private JV would offer. Notwithstanding, it is also recognised that developing a Modified In house model leading to a Council Wholly Owned Company would still be reliant on the necessary decisions being made with additional early commercial and business support to embed into the services throughout the Full Business Case stage and beyond. It is essential that dedicated internal resources, strong governance and external commercialisation and company set up expertise are established and maintained to ensure the delivery of the benefits associated with the models are driven through.
57. The financial analysis work undertaken indicates that the Wholly Owned Trading company model is most likely to deliver the greatest financial benefit for the Council as noted in Table 3. Overall, this model is considered the best opportunity for the Council going forward.
58. In respect of other factors, key issues from a Cabinet perspective include: the required speed of delivery of change, allowing more operating freedom for the company whilst retaining overall control, innovation, diversification and commercialisation, maintaining the support of key stakeholders and improved employee ownership and commitment.
59. Having undertaken a balanced consideration of the options appraisal, it is concluded that the most appropriate future delivery model to be assessed in detail for the FBC for all the services within scope, is a Wholly Owned Company (Teckal), with the modified in house being delivered, and compared to in the meantime. The key reasons for identifying this option as the preferred future delivery model are provided below:
- The high level financial analysis undertaken as part of the Outline Business Case work indicates that the Wholly Owned company is most likely to deliver the greatest financial benefit for the Council;
 - The Wholly Owned Company can commence operation to allow the Council to achieve financial benefits early in the 2016/17 period subject to the necessary implementation actions and identified cost saving decisions being taken;
 - It will retain a public sector ethos and allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. As stated above, one of the reserved matters which could be set out in the Council/Company contract, which would include a Service Based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to

secure changes regarding budget and service delivery. This is seen to be an important factor for the Cabinet to consider;

- It will facilitate the development of a more commercialised culture and improved quality of service delivery to residents. The progress made over the last year regarding work practice modernisation, multi-skilling and improvement of service delivery, for example, on the Neighbourhood Services project, innovated by the directorates, provides confidence that the required further improvements can be made within this preferred model of delivery;
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken. It is recognised that an injection of commercial expertise will be an important catalyst in respect of achieving sustainable income growth
- It will ensure that all benefits are retained by the Council, whilst also controlling and carrying the risk of failure;
- It provides an opportunity to invest in, and use industry standard systems and technology, in the day to day management and delivery of services to suit the company's specific needs rather than the general needs of the Council. access to funds to invest in such would be the subject of the company business plan and negotiations with the Council;
- Whilst not perhaps the preferred model of the Trade Unions and staff, it is preferred in relation to the other Joint Venture and Outsourcing options. Also, based on feedback provided by other councils that have established Wholly Owned Trading Companies under Teckal exemptions, it is believed that most staff will be motivated by the new culture created within the new organisation, will see it as a means to protect and grow jobs through new work, and;
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey.

60. Additionally,

- It will provide opportunity to incentivise the new Team to drive the new business forward;
- It will retain staff knowledge with the wider Council organisation;
- The anticipated commercial growth will assist in safeguarding jobs;
- It provides the potential to improve the management of risk and other Council financial liabilities, for example, highway related matters that lead to claims being made against the Council;

- It fits with the strategic objective of the Council of other ongoing Council Programmes (e.g. Organisation Development and Alarm Response Centre (ARC)) ;
 - It provides future opportunities for co-ownership with other council's which is important in respect of the Assembly's current local government agenda, and
 - It provides an appropriate strategic approach to achieving the required improvements, that is, if the key success criteria are not satisfied as determined through the ongoing Gateway Review Process, the necessary Company changes can be implemented or a new alternative delivery model adopted.
61. The Scrutiny Task and Finish Group recommended that the Council primarily adopt the Public/Public Joint Venture model with some services potentially being transferred to a Wholly Owned Trading Company. One of the main reasons for this recommendation was the ability to establish a Public/Public Joint Venture in advance of the start of the 2016/17 financial year. However, based on the research work undertaken as part of the Outline Business Case analysis, it is believed that it would not be possible to establish a Public/Public Joint Venture any quicker than a Wholly Owned Company, particularly because of the negotiations that would need to be undertaken with a potential Public JV partner and the due diligence work that would need to be undertaken.
62. In addition, commercial and performance experience is available in the market to the Council to aid in establishing a WOC. It will be important to quickly make available this specific experience and advice to the FBC Board and Project Director. Similar skills and business experience would ultimately be embedded in a Company Board of Directors, Non executive Directors should reflect appropriate experiences, however, this would be subject to the later Full Business Case decisions.
63. It is important however to understand that all models retain a level of risk on deliverability and liability, which must be guarded against. For the Wholly Owned Company recommendations, 'lessons learnt' have been taken from the experience of others identified through research from other Councils to date and also APSE, and they are also encapsulated in 'Building a Successful Local Trading Company' by Grant Thornton. Some of these lessons are provided below:
- Being over optimistic on growth and income assumptions. A prudent approach has been taken in the OBC to income generation so far. A full local market assessment is required for the trading services and the FBC will require an 'Optimism Bias' exercise to guard against over projection of benefits;
 - Lack of sensitivity analysis on the financial assumptions to assess risks, forecasting trends and expectations around the Authority's Requirements;
 - Inadequate modelling and projecting of financial performance;
 - Lack of innovation and diversification with in the new company which should be mitigated against through a strong Board of

- Directors creating the right culture of commercial risk and reward, strong identity through branding and marketing, and
- Inadequate assessment of risks and their management, ultimately leading to unplanned losses.

64. The roles of the Transition Board and ultimately appointed Directors are essential

Proposed Next Steps

65. The key next step for this project is the completion of a Full Business Case analysis for the preferred Wholly Owned Company model against the Modified In-house Comparator (base case) identified by the Outline Business Case and this report. Similarly to the Outline Business Case, this will be based on the Office of Government Commerce (OGC) "Five Case Model. However, it will comprise a much more detailed consideration of the strategic, economic, commercial, financial and management factors relevant to the recommended way forward, and also the Modified In-house model as a comparator and baseline from which to grow.

66. As part of the Full Business Case analysis work proposed, particular consideration will need to be given to the following factors:

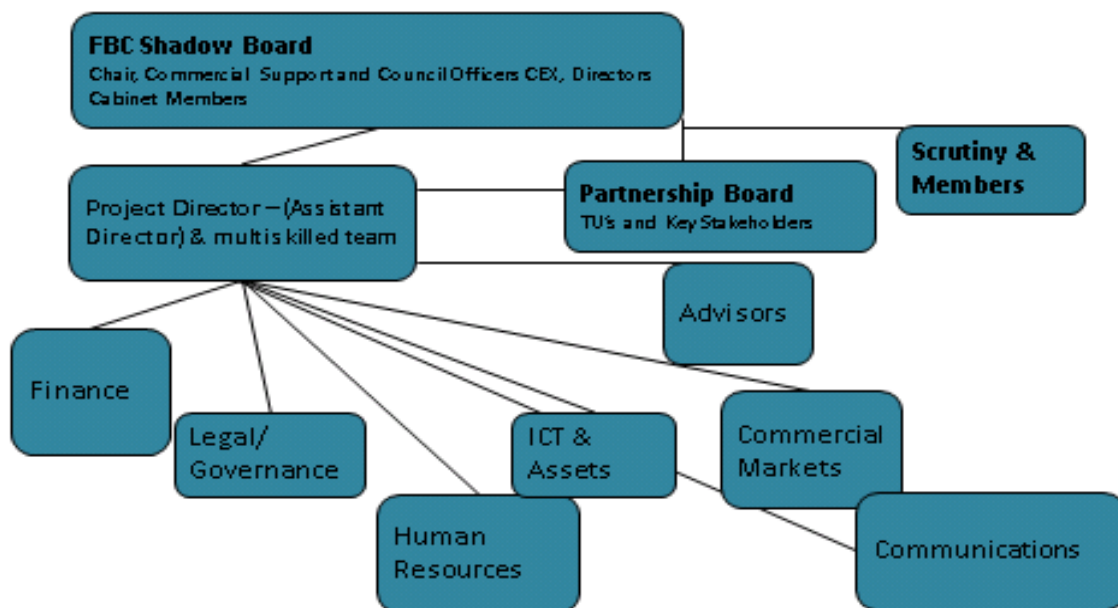
- The appropriate legal vehicle for the proposed trading company, for example, a company limited by shares or by guarantee;
- The proposed governance of the company, including possible options for the composition of the company Board;
- The proposed contractual arrangements between the Council and the proposed company, in particular, what company matters would be 'reserved' and require Council approval prior to implementation, and also performance management of the company;
- The proposed arrangements between the Council and the company regarding the provision of support services, for example, the provision of HR, Finance, Commissioning and Procurement, and ICT services;
- Opportunities for increasing external trading and market evaluation;
- Whether or not it would be appropriate to remove some services currently in scope, or parts thereof, and/or whether some other services should be included;
- Requirements in relation to the proposed transfer of staff to the new company in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended;
- Financial implications in respect of pensions, financing arrangements including working capital, day to day management of the Wholly Owned Trading company, and taxation;
- The transfer of relevant assets, for example, relevant accommodation, vehicles and equipment, and
- The initial investment required to establish the proposed Wholly Owned Company. An estimate of £175,000 was included within

the High Level Financial Analysis work referred to earlier in this report.

Next Stage: Final Business Case, Resources and Governance

- 67. Clearly, the completion of the Full Business Case analysis is a significant piece of work which will require the allocation of appropriate resources to ensure that it is completed in a timely manner. This activity would have been required if the models with an external partner had been the preferred option and so the associated expenditure is not solely attributable to the WOC model.
- 68. This will require a dedicated in-house team and also the procurement of expert advice where appropriate (for example, on legal, finance, and tax matters, company establishment and commercialisation). The work will also require ongoing challenge from appropriate external stakeholders, which has been a most valuable investment during the Outline Business Case of the project. It is recommended that a budget of c£175,000 be approved for the purpose of obtaining external advice and that an internal team comprising the following resources be immediately established for completing the Full Business Case work. Whilst no revenue budget has been identified for this additional expenditure, earmarked Reserves are the suggested funding source for this important invest to save and earn project.
- 69. The governance of the team, such as the example shown below, should be established immediately:

FBC Governance



70. The Project Shadow Board would be accountable to the Cabinet and Scrutiny, supported by the Project Team leader the Project Director (Assistant Director Environment).
71. Upon completion of the Full Business Case the recommendations will be made to the Cabinet, and potentially Council on the final recommendation for decision. This is estimated to be January 2016. Should a Wholly Owned Company be the final solution then a Transition Board would be established to set the company up. It is estimated that the company could be established fully and staff transferred between April and July 2016. However this and future governance arrangements will be the subject of further detail as part of the Full Business Case.
72. In addition to the completion of the Full Business Case analysis, it is important that the saving opportunities identified for both the Modified In-house and Wholly Owned Trading Company options are subject to the required consultation processes and implemented to allow the financial benefits to be achieved in accordance with the timescales identified.

Current Timescales

73. The draft project plan high-level time frames are attached in Appendix 4. The time table is designed to deliver a robust final business case by December 2015 to inform the Budget setting processes in January/February 2016, optimise the savings delivery potential whilst meeting current governance timeframes for decisions. As noted above, a key risk to project delivery is a lack of investment in internal resources and access to commercial expertise and experience in establishing a WOC. It is therefore important that the funding allocation is made, internal resources prioritise sufficient allocations of their time, that services are brought together for reshaping at the earliest opportunity, that staff champions are identified and made available and that external advice is appointed swiftly.
74. Should the Cabinet and Council consequently resolve to establish a WOC, the Transition stage would commence in February 2016 with a view to company Start-up in quarter 1 of 2016/17. Further refinement of timetables will continue throughout the project stages. Stakeholder Engagement will continue throughout.

Local Member Consultation

75. Members were invited to briefings regarding the Outline Business Case and the proposals identified in this report in the lead up to Cabinet considering this report.

Reasons for Recommendations

76. To enable the most appropriate future service delivery model for the services in scope to be determined and thereafter enter the Final Business Case Stage.

Legal Implications

77. There are no direct legal implications arising from recommendations in the report.
78. The Authority has the power to establish a company to trade under section 95 of the Local Government Act 2003 section 95. The vehicles which can be used under this power is limited (companies and registered societies, being former industrial and provident societies) but prior to trading the business plan for the trading company has to be approved by Council. However, there are other powers which the Authority may wish to rely upon to set up one or more companies and also to charge for any services provided (and where profit is not necessarily precluded). Accordingly the appropriate approach to establishing the company and undertaking any commercial activities will need to be reviewed and recommended within the full business case.
79. A wholly owned company is potentially capable of meeting the tests of what is commonly referred to as “Teckal”. Teckal is the name of the case which confirmed that where a public sector body organises its operation by setting up its own company to deliver a function, this does not necessarily amount to a regulated procurement so long as certain principles are met. The case law is now consolidated in the Public Contracts Regulations 2015. It will be an important element of the final business case to ensure that the proposed structure and arrangements for the company, to the extent reliant on meeting “Teckal” requirements, are met.
80. The report sets out how the responses from consultation have influenced the recommendations which is an important element in satisfying the obligation to secure continuous improvement under the Local Government (Wales) Measure 2009.
81. It will be essential, as the full business case is developed, to ensure that:
 1. assumptions are checked and challenged;
 2. further due diligence is undertaken in relation to each of the services to ensure that the below is understood, verified and documented:
 - i. the current and future service demands,
 - ii. the current service, the approach to meeting the demand mentioned above and all factors affecting its delivery and cost (including condition of assets/ working practices and procedures/third party contracts and inter-relationship to other services);
 - iii. the scope for change that will be allowed/required;
 - iv. all other information required for setting the framework within which success will be measured (eg. specifications, financial plans, performance measures and governance arrangements)

82. It will also be necessary for the shadow company to be developing a business plan and method statements for transition and delivery of the services to meet both technical and financial requirements. This approach is necessary to provide an appropriate level of assurance for the Authority and the Directors of the new company that the proposed arrangements are realistic and deliverable.
83. Much of that detailed work will need to be developed in parallel with the final business case as both pieces of work will often overlap (although will look at the information from different perspectives) and should mutually benefit the development of each (ie the business case for the Authority and the business plan for the company). As one enters the final detailed phase of the work it may be necessary for the company to receive independent professional support to ensure that potential conflicts are avoided and also to maximise the benefits of “critical challenge” as part of providing an assurance framework to secure the success of the alternative delivery mechanism.
84. The work mentioned above will involve dedicating time and resource to achieve the desired outcome. However, that work (and indeed in most cases additional work) would be required for any of the models in order to achieve the step change required as a result of the budget constraints. The choice of a wholly owned company as the preferred model to take forward for the final business case:
1. does provide more opportunity to avoid risks associated with delays in agreeing baseline data, expected levels of services, targets and financial models/sharing arrangements as part of the above process (which should, but often may not, form part of any of the solutions); and
 2. does not preclude later development into other alternative models if that is found to be necessary and would provide a useful staging post because:
 - i. if a decision is later made to change to another alternative model of delivery there will be much more robust business-specific data then available;
 - ii. this would assist in overcoming some of the delay factors in negotiating/procuring the arrangements required (other than modified in-house);
 - iii. the arrangements to move to another model would not be complicated, with transfer of the business potentially being achieved through issue of new shares or sale of the Council's share and the ability to return the business to a modified in-house delivery approach being far simpler than if one had to unpick the interests from another party.

Financial Implications

85. The choice of delivery model will be a significant decision for the Council given the extent of services in scope and the level of budget reductions

the Council is expected to make over the medium term. The FBC is expected to be reported back to Cabinet early in 2016 with, subject to approval, the WOC being operational early in the 2016/17 financial year. This will allow an alignment with the emerging Budget Strategy both in terms of 2016/17 proposals and the longer MTFP horizon.

86. The Outline Business Case (OBC) financial projections are high level and assumption driven. In this context the associated sensitivity analysis included (Table) 4 is especially significant. This confirms the Wholly Owned Company (WOC) as the preferred option in most cases but there are scenarios where JV models score better than the WOC or in-house. Given these caveats the OBC financial projections should not be the sole source of evidence to choose the preferred option. Instead the financial projections should be considered as part of the package of evidence to support the choice of the preferred option being taken forward to the Full Business Case (FBC) stage. The modified In-house option in its role as Comparator / Reference Project will also be considered as part of the FBC. The development of the sensitivity analysis will be included as part of the Full Business Case evaluation process.
87. Pre-Operational implementation costs comprise two separate elements which again will be developed further during the FBC stage:
- Costs included in the financial model, projected at £900,000, both revenue and capital, required to set up the new company and get it into a position to trade e.g. review and possible acquisition of IT systems, staff development, specialist professional advice.
 - Costs projected at £175,000 to acquire external advice etc. that is required to complete the FBC. This would be a cost that would be common to all the alternative delivery models that were considered during the OBC. As well as specialist external advice this will include a dedicated internal team including resources from the Council's support services as well as the Directorate.
 - No existing budget is available to fund these costs resulting in funding from Earmarked Reserves being required. The use of reserves is a one-off funding source and will reduce the council's future financial flexibility.
88. The financial projections are an option appraisal comparing the benefits of the different models over the evaluation period and so don't, for example, include any benefits during their respective implementation phase. The reality is that business as usual savings will be applied during this period as further budget reductions are required but will apply equally to all of the models and are not included to avoid any risk of double counting.
89. There is a direct link between in-house savings and the Wholly Owned Company with assumption that the Wholly Owned Company will achieve

all the in-house savings. This is especially significant with regard to savings related to changes to pay enhancements with the assumption that the TUPE transfer will have taken place post changes to terms and conditions. The proposed pay enhancements change will be applied across the Council and as a consequence will have an impact on other Directorates outside the scope of this project.

90. Although 100% Council owned the Wholly Owned Company will involve new governance arrangements which will include management by a Board of Directors. The financial reporting and auditing regime for the Company will be as required by Companies Act and outside of the Council financial reporting arrangement. The projection for the operating costs of the WOC includes an allowance for these audit costs. As a Local Authority owned Company its financial results will be included in the consolidated group accounts of the council.
91. Current Council staff transferring to the proposed WOC will do so under a TUPE arrangement which will include continued membership of the Cardiff and Vale Pension scheme with the WOC becoming an admitted body to the Pension Fund. The FBC will develop this financial relationship in more detail including the WOC's Employers contribution which it will pay to the fund.
92. The FBC will also develop the taxation implications for the WOC. As a Limited Company any profits generated by the WOC would be liable for an appropriate element of Corporation Tax. Arrangements to minimise this potential liability will be an important element of the FBC work.
93. It is expected that the WOC will operate under the "Teckal" exemption which allows the Council to passport the delivery of the services in scope directly to the WOC without the need to undertake procurement. There are however three tests that have to be applied for the Teckal exemption to apply, which are :-
 - There must be no private investment in the company which is the case here with 100% ownership of the company
 - The Council exercises a control over the company, for example by the use of Reserve Matters, which is similar to that which it exercises over its own departments
 - 80% of the turnover of the company is with the Council so maximum turnover with External Third Parties would be 20%. Paragraph 47 identifies that 11% of the current budget is external income. The FBC will develop this income analysis including an assessment of whether specific income sources are best placed transferring to the WOC or remaining with the Council e.g., sale of recycled products.
94. The key distinctive financial characteristics between the delivery models are outlined in detail in the OBC but in summary these include:-

- Outsourcing
The model scores the highest for efficiency savings with its focus on securing year on year improvements. No income growth assumed. Procurement required but set-up costs funded by contractor. More formal, traditional client higher contract management costs required and included. Overhead payment to contractor reflects the provision of services to outsourced activities with Council Support service saving limited due to mix of fixed and variable costs.
- Private JV
Efficiency savings slightly diluted compared to outsource with focus on income growth and joint ownership. Best performing in terms of additional external income in total but this is subject to a gain sharing arrangements, where not all gains flow back to the Authority. Procurement required but set-up costs funded by contractor. Client contract management role required but lighter than outsource to reflect part ownership of the JV delivering the contract. Overhead payment to JV partner reflects provision of services to JV activities with Council Support service saving limited due to mix of fixed and variable costs.
- Public JV
Similar characteristics to the Private JV although Procurement not required it will be replaced by detailed negotiation of the contract between Council and JV partner.
- Wholly Owned Company (WOC)
Efficiency saving in excess of in-house arising from commercial focus and cultural change from new organisational structure but not to the full extent of the more experienced JV partners. Income growth also modelled as lower than with JV models but benefits fully retained by Council. No procurement required but implementation costs fully borne by council as not sharing with a partner and using their existing structures. Contract Management costs included but lighter touch compared with the models with an external partner. Provision is made for recurring costs of acquiring and retaining commercial and business management skills. No change assumed for support services.
- Modified In-house
Lower efficiency saving assumed than the other models with less commercial focus or economies of scale which is also a factor along with local authority trading restrictions on income growth. No procurement costs necessary, but implementation costs will be required to secure some of the savings identified, although not to the same extent as with the WOC. No changes are assumed for support services.

95. With the scale and scope of this Project there are a number of Financial risks to highlight:
- As is expected with an Outline Business Case the assumption driven nature of the Financial Model has been made clear. In this context the results of the sensitivity analysis scenarios that highlight the impact of a reduction of in-house savings is especially significant. The risk remains that any non-delivery of savings or delays in implementation would impact on the ability of the preferred delivery model to deliver the projected benefits required for the council to deliver its budget strategy.
 - The financial assumptions and projections included in the OBC will be developed during the preparation of the FBC. This may result in movement in the underlying assumptions with the risk that both costs may increase and benefits reduce with the detrimental impact for the financial performance of the WOC and subsequent achievement of the Council's budget strategy.
 - With the preferred option of a WOC the Council will retain 100% ownership of the company and will not have the benefit of a partner to share liabilities and risks as would be the case with the JV and outsource models. The WOC model does bring a greater degree of flexibility compared to the JV and Outsource models in terms of changing delivery model direction which could involve the council incurring significant liabilities if it wished to pursue early termination of the long term JV or Outsource model.
 - The FBC will include a wider assessment of the risks facing the Council including operational risks associated with the preferred model as well as programme risks.

Human Resources Implications

96. Detailed HR implications of the move to a Wholly Owned Company will be provided as part of the Full Business Case. As proposals are developed within the FBC, there will need to be full consultation with employees and the Trade Unions so that they are fully aware of the proposals, have the opportunity to respond to them and understand the impact that the new model of service will have on them. A full Equality Impact Assessment will be needed for future decisions.
97. If a new trading company is created then the provisions of the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations 2006 as amended would apply and Council staff who are wholly or partially (to an agreed level) engaged in the activity that will be undertaken by the trading company will transfer automatically to the new company.
98. Any changes to working practices, which may or may not include terms and conditions, must go through the corporately agreed consultation processes with trade unions and employees. In order to comply with Equal Pay law any changes to contractual terms and conditions will have

an impact across the Council and therefore the potential requirements of this change process will need to be provided in the Full Business case.

RECOMMENDATIONS

Cabinet is recommended to:

1. Approve content of this report and the Outline Business Case, attached in Appendix 1,
2. Agree the conclusion of the report that the most appropriate future delivery model for the services in scope is a Wholly Owned Company (Teckal);
3. Agree to the establishment of a Full Business Case and Shadow Board to govern the company establishment and delegate authority to the Chief Executive to work with the Leader of the Council and the Cabinet Member for the Environment to define the appointments of the Directors and Non Executive Directors to the Shadow Board;
4. Agree to the completion of a Full Business Case for the Wholly Owned Company model and also the Modified In-House Model and report the findings back to Cabinet early in 2016 together with recommendations as appropriate regarding:
 - a) The detailed financial analysis for delivering a full range of efficiency and income benefits against cost complete with sensitivity analysis.
 - b) The appropriate legal vehicle for the proposed trading company, for example, a company limited by shares or by guarantee;
 - c) The proposed governance of the company, including possible alternatives for the composition of the company Board;
 - d) The proposed contractual arrangements between the Council and the proposed company, in particular, what company matters would be 'reserved' and require Council approval prior to implementation, and also performance management of the contract;
 - e) The proposed arrangements between the Council and the company regarding the provision of support services, for example, the provision of HR, Finance, Commissioning and Procurement, and ICT services;
 - f) Opportunities for increasing external trading and local market analysis;
 - g) Whether or not it would be appropriate to remove some services currently in scope due to robust business alternatives and reasoning, or parts thereof due to strategy setting roles, and

whether some other services should be included at this stage or set out phases in the following year(s);

- h) Requirements in relation to the proposed transfer of staff to the new company in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended;
 - i) Financial implications in respect of pensions, day to day management of the Wholly Owned Trading company, and taxation;
 - j) The transfer of relevant assets, for example, relevant accommodation, vehicles and equipment, and;
 - k) The initial investment required to fully establish the proposed Wholly Owned Company.
5. Approve the allocation of resources as identified in paragraph 68 of this report for the completion of Recommendations 3 and 4 above and delegate authority to the Chief Executive in consultation with the Cabinet Member for Corporate Services and Performance and the Corporate Director Resources to authorise amendments to these resources as necessary for the satisfactory completion of the Full Business Case, and;
6. Agree that consultation commence on and thereafter implement the saving opportunities identified for the Modified In-house and Wholly Owned Company Trading options to allow the financial benefits to be achieved within the timescales identified.

ANDREW GREGORY

Director

10 July 2015

The following appendices are attached:

Appendix 1– Infrastructure Services Alternative Delivery Models. Outline Business Case. July 2015.

Appendix 2- A Joint Report of the Environmental and Policy Review and Performance Scrutiny Committee's. Infrastructure Business and Alternative Delivery Options.

Appendix 3- Response to Environmental and Policy Review and Performance Scrutiny Committee's Task and Finish Group Report Recommendations

Appendix 4 - Project Programme – FBC Stage

Appendix 5 – Statutory Screening Tool

The following Background Papers have been taken into account:

Cabinet Paper 15 May 2014 – Establishing a Programme of Organisational Change for the City of Cardiff Council

Cabinet Paper 20 November 2014 – Infrastructure Services Alternative Delivery Models

Consultation Results and Feedback Report on the City of Cardiff Council's 2015/16 Budget Proposals. February 2015

Infrastructure Services Alternative Delivery Models

Outline Business Case



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Revision History

Summary of Changes	Author of Changes	Date	Version

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This Business Case template has been developed using the Office of Government Commerce (OGC) "Five Case Model", the best practice standard recommended by HM Treasury for use by Public Sector bodies when planning a public sector spending proposal.

You may need to obtain guidance and advice from central functions such as Finance, Procurement, Enterprise Architecture, ICT, HR and Legal as you develop your business case.

All Business Cases must be submitted to the Investment Review Board for approval.

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Appendix 3 – High Level Financial Analysis

Appendix 4 – Financial Sensitivity Analysis

Appendix 5 – Summary of ‘Other Factors’ Considered in Assessment of Alternative Delivery Models

Appendix 6 – Soft Market Testing Summary

Appendix 7 – ‘Changes for Cardiff’ 2015/16 Budget Consultation: Questions and Responses

Appendix 8 – Project Programme

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Executive Summary

Strategic Case

On 15 May 2014, the Council's Cabinet approved the report of the Chief Executive entitled 'Establishing a Programme of Organisational Change for the City of Cardiff Council'. The report set out the Cabinet's view that for the Council to effectively address the significant challenges it immediately faces, the Council will need to fundamentally challenge the way that its services are currently delivered and consider a full range of service delivery models and providers.

A key project identified by this report was the Infrastructure Services Alternative Delivery Models Project ("the Project") which is the focus of this Outline Business Case (OBC).

A total of 14 services across 5 directorates, as identified in Table 1 below, are included within the scope of the Project:

Table 1: Summary of Services in Scope of Project

Directorate	Service
Environment	Waste Collection
	Street Cleansing
	Waste Education and Enforcement
	Waste Treatment and Disposal (including Materials Recycling Facility, Waste Transfer Station and Household Waste Recycling Centres)
	Pest Control
Strategic Planning, Highways, Traffic and Transport	Highway Operations (including Highway Maintenance, Drainage and Street Lighting)
	Highways Asset Management
	Infrastructure Design and Construction
Sport Leisure and Culture	Parks (including Parks Management and Parks Development)
Resources	Central Transport Service
	Cleaning (non schools)
	Security and Portering
	Building Maintenance (including Schools but excluding Housing)
Economic Development	Projects Design and Development

The Outline Business Case considers and appraises alternative delivery models for each of the services in scope, with the primary objective of significantly reducing the operating costs whilst protecting front line service delivery as far as it is possible to do so.

If approved, the suggested delivery model(s) set out in this Outline Business Case will then be subject to more detailed consideration via a Full Business Case(s). If the Full Business Case(s) is approved, implementation will then commence.

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The Council will retain responsibility for determining the strategy and service requirements relevant to each service, irrespective of the delivery model.

Economic Case

A structured Service Review, using a methodology developed by the Council, was completed for each service in scope, including an assessment of the strengths, weaknesses, opportunities, and threats (SWOT) relevant to the service. A summary of the generic strengths, weaknesses, opportunities and threats identified across many of the services, which correlate with the project objectives, are as follows:

Strengths

- Appropriately skilled front line and managerial/supervisory staff with appropriate skills, knowledge and experience relevant to the services being provided, and
- Generally good levels of Customer satisfaction based on responses from the 'Ask Cardiff' surveys;

Weaknesses

- Although improvements to sickness absence levels were achieved during the 2014/15 financial period in some services, the absence levels in many of the services within scope remain above industry average which has an adverse impact upon service delivery and operational efficiency;
- A high level of unwanted and repeat demand on some services as recorded by Connect to Cardiff;
- A lack of industry standard software and hardware to support processes, such as mobile working technology, which would facilitate better systems for staff to report, improved management of performance, information and allocation/ scheduling of work, address custom and practice issues, reduce wasted time, repeat demand and improve back office processes;
- Current pay enhancements, which make working at night or at weekends more costly and less competitive;
- The duplication of activities across services due to the existing silo approach of services within directorates for vested land management and other assets, and
- Performance issues in respect of the Council's fleet, in particular, financial management, governance and operational matters related to the vehicles.

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Opportunities

- Further commercialisation of services to increase the amount of external income earned, and
- Improving existing partnerships and developing new relationships with business, community enterprise groups and the third sector voluntary groups in order to increase capacity and improve outcomes for communities

Threats

- The impact of further revenue budget and grant reductions, and
- An increase in demand resulting from demographic growth

In accordance with the Infrastructure Services Alternative Delivery Model report approved by Cabinet on 20th November 2014, the following models have been appraised in this Outline Business Case in respect of the services in scope of the project:

- Modified In-house
- Wholly Owned Arms Length Company (Teckal),
- Public/Public Corporate Joint Venture,
- Public/Private Corporate Joint Venture and;
- Outsourcing

A simple but robust process was used for the appraisal of these alternative delivery models comprising:

- the development and application of a corporate evaluation methodology;
- a high level financial analysis, and
- the consideration of a number of other key factors.

The conclusion from the analysis was that the most appropriate future delivery model for the services within scope of the project is a Wholly Owned Company - WOC (Teckal) i.e. a trading company set up and wholly owned by the Council which is able to trade with other organisations across the public and private sector, subject to such trading activity not exceeding 20% of the company's turnover, thus enabling the Council to 'passport' work to the company without following a formal procurement exercise.

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The key reasons for identifying this option as the suggested future delivery model include:

- Whilst the financial projections in this Outline Business Case are high level, these indicate that the Wholly Owned company is most likely to deliver the greatest financial benefit for the Council;
- The Wholly Owned Company can commence operation to allow the Council achieve financial benefits early in the 2016/17 period subject to the necessary implementation actions and identified cost saving decisions being taken.
- It will retain a public sector ethos and allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. One of the reserved matters which could be set out in Council/Company contract, which will include a Service Based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to navigate with the company to secure changes regarding budget and service delivery;
- It should facilitate the development of a more commercialised culture and improved quality of service delivery to residents. Progress made over the last year regarding work practice modernisation, multi-skilling and improvement of service delivery as evidenced by the Neighbourhood Services project, provides confidence that the required further improvements can be made within this preferred model of delivery.
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken. It is recognised that an injection of commercial expertise will be an important catalyst in respect of achieving sustainable income growth.
- It will ensure that all benefits achieved are retained by the Council;
- It provides an opportunity to invest in and use industry standard systems and technology in the day to day management and delivery of services to suit the company's specific needs rather than the general needs of the Council
- Whilst the Trade Unions and employees have a preference for maintaining in-house provision, feedback provided from other councils that have established Wholly Owned Trading Companies, suggest that most employees will be motivated by the new culture created within the new organisation, whilst enjoying key protections as a company of the Council;
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey;

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Financial Case

A mobilisation period of one year has been assumed from approval of the Outline Business Case to the Company becoming operational. This is to allow time for the necessary due diligence including activities such as zero based budgeting, defining service specifications, defining volumetric data, recording asset and system registers, employee transfer, undertaking market analysis. The one year mobilisation period also allows time for the preparation of the Full Business Case and the Wholly Owned Company Business plan, as well as the subsequent preparation of the Contract between the Council and the Wholly Owned Company. This assumes that a single Wholly Owned Company will be established for all the services in scope, however this will be further considered in detail within the Full Business Case.

A key assumption with the Wholly Owned Company model is that it will achieve the same savings as the modified in-house option plus additional efficiency savings and income generation that derive from the behavioral/cultural impact of introducing a Wholly Owned Company and a more commercial approach.

It is projected that implementation/set-up costs of £0.9m will be incurred prior to the Wholly Owned Company becoming operational, allowing for costs associated with potential new commercial IT systems, specialist professional advice – legal, pensions, taxation, etc. necessary in forming a stand-alone company – and other costs such as company branding. This is an area that will be further developed in the Full Business Case and the development of the Wholly Owned Company business plan.

In addition, the financial projections in the Outline Business Case include an allowance of £250,000 per annum for the cost of the Commercial Director and Business Development roles as well as the cost of other corporate governance. This will be developed further as part of the Full Business Case analysis.

Commercial Case

It will be necessary for the Council to procure expert legal, financial and taxation advice on a number of issues to ensure the satisfactory completion of the Full Business Case and to support implementation. In addition, similar to the process adopted for the Outline Business Case, it is recommended that the Full Business Case be subject to appropriate independent review and robust external challenge. The estimated cost for the provision of this external advice is £175k.

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The key risks identified for the Full Business Case stage of the project are included in the table below

Risk Description	Risk Assessment Information				Risk Response Information				
	Risk Type	Proximity	Likelihood	Consequence	Inherent Risk	Likelihood	Consequence	Residual Risk	Future Action Required
There is a risk that the Council and/or project team lacks the skill and capacity to identify and implement the suggested new model(s) and therefore the project would not be able to deliver against its objective	Resource	No Time Period	B	3	Medium/High Priority	C	4	Low Priority	Assess if there are any gaps in knowledge/skill across the project team and identify how any gaps in knowledge/skill can be addressed. Ensure full resourcing and specific advice is provided. Ensure sufficient levels of challenge and advice are sought from outside of the project.
Changes to the cabinet could take place during the project lifecycle and result in a loss of appetite for any change to the model of service delivery.	Political	No Time Period	B	1	High Priority	C	1	Medium/High Priority	Ensure that there is continuous engagement and briefings with the cabinet and all members, to maintain buy in for the project. Ensure OBC is based on appropriate evidence base, this is subject to external challenge and review (LP) and project updates are regularly provided to Members
Industrial Disputes/Staffing disputes and disruption (eg staff leaving)	Communication, Stakeholders	< 3 Months	B	2	High Priority	C	3	Medium/Low Priority	Ensure stakeholder plan makes adequate provisions to engage and consult Trade Unions at regular intervals, and that they are kept up to date with the progress of the project to minimise the potential for industrial dispute.

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<p>Changes to the organisational structure of the Council could take place during the project lifecycle and result in loss of direction and delays to the project</p>	<p>Communication, Organisation, Stakeholders</p>	<p>No Time Period</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>Ensure that there is continuous engagement and briefings with the cabinet, directorates in scope and to the relevant governance boards to maintain buy in for the objectives of the project. Ensure that there are regular meetings between Directors for the services in scope, to maintain buy in and agreement for direction of project.</p>
<p>Service area resource time required to inform and produce the Full Business Case, could result in current levels of service delivery being compromised.</p>	<p>Reputation, Service Delivery</p>	<p>< 1 Months</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure stakeholders are advised of resource requirements in advance so that service delivery can be planned accordingly. Ensure communications plan advises of potential impacts to current levels of service delivery.</p>
<p>Modified in house models are not sufficiently mature enough to inform Cabinet when the Full Business Case is presented.</p>	<p>Governance, Resource, Stakeholders</p>	<p>< 6 Months</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure that there is equal emphasis placed on development of in-house models and that an equal amount of resource time is allocated to these. Inform Directors and Managers of their responsibilities in this regard.</p>

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Full Business Case for preferred model might show that the required level of savings can not be achieved within the required timescale		Benefits, Finance		< 6 Months	B	1		High Priority	C	2		Medium/High Priority	Ensure that financial analysis and modelling within the Full Business Case is robust and subject to appropriate levels of internal and external challenge. If any potential shortfall is identified, escalate this accordingly so that it can be highlighted and taken into account as part of the Council's annual budget setting process.
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Risks that relate specifically to the operation of a Wholly Owned Company and achievement of its operational objectives will be identified and presented as part of the Full Business Case process.

Management Case

The Infrastructure Services ADM will continue to be managed as a project within the Infrastructure and Neighbourhood Delivery workstream, which falls within the Reshaping Services Programme as part of the Council's Organisational Development Programme. This will ensure that the appropriate management and governance arrangements are maintained.

The impact on other Council areas and support services will be an important consideration for the Full Business Case analysis in terms of the impact on employees, use of equipment and assets, and also delivery of services back to other Council services where applicable. Any potential adverse impacts identified will need to be assessed and appropriate mitigation measures established as far as it is reasonable and practical to do so.

Upon completion of the Full Business Case, recommendations on the way forward will be made to the Cabinet, and potentially Council. It is estimated that this will be in January 2016. Assuming a Wholly Owned Company is the recommended way forward, a Transition Board would be established to set the company up. It is estimated that the company could be fully established and staff transferred between April and July 2016, however this and future governance arrangements will be the subject of further detail as part of the Full Business Case.

It will be necessary to establish an internal Project Team to manage the completion of the Full Business Case. The precise resource requirements were being finalised at the time this Outline Business Case was produced. However, in terms of function/skills set, the Team will need to include dedicated Project Management Resources, representatives from each service in scope, and also representatives from the Council's Corporate Service functions including: Finance; Human Resources; Legal; ICT; Corporate Communications and Commissioning and Procurement. The allocation of the required resources will be sought through the Investment Review Board.

A Communications Strategy and Plan will ensure information is provided in a timely effective way through the variety of channels (i.e. enhanced social networking methods as well as ensuring strong

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verbal and written and verbal communications) to all identified stakeholders, to support the project through each future phase of its development.

Conclusion

In summary, it is recommended that a Full Business Case be undertaken to appraise Wholly Owned Company model in further detail.

This will also comprise a detailed analysis of the Modified In-house model as a Public Sector Comparator, and will culminate in the submission of a report to Council/Cabinet recommending which model should be implemented for the identified services in scope.

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1. The Strategic Case

1.1. Strategic Background

1.1.1 On 15 May 2014, the Council's Cabinet approved the report of the Chief Executive entitled 'Establishing a Programme of Organisational Change for the City of Cardiff Council'. The report set out the Cabinet's view that for the Council to effectively address the significant challenges it immediately faces, the Council will need to fundamentally challenge the way that its services are currently delivered and consider a full range of service delivery models and providers. The significant challenges faced by the Council were identified as follows:

- **Rapid Fiscal Consolidation** – the need to address the predicted c.£124m budget gap across the period of the Medium Term Financial Plan (2015/18);
- **Increased demand on services** – Cardiff continues to rank as one of the fastest growing UK core cities with the city's population projected to increase by 14.5% between 2011 and 2026;
- **The need for continuous improvement and service performance challenges** – the areas of concern, some of which were highlighted by the Welsh Local Government Peer Review, include:
 - An under-developed performance management practice;
 - Unacceptably high sickness absence in some services;
 - Inconsistent approach to Personal Performance and Development Reviews;
 - Significant improvements required to educational attainment as highlighted by a recent Estyn monitoring visit, and
 - Persistently high Children's Services case load which represents a risk to service performance;
- **Accelerating Cardiff's development as a European Capital City** – the city's economic performance has recently dipped in international terms and more needs to be done if Cardiff is to play a part in sustaining economic recovery in Wales, and
- **Reorganising local government** – the 'Williams Commission' proposes to reduce the number of local authorities in Wales to 11 or 10.

1.1.2 The report confirmed the Cabinet's view that the organization is currently too often characterised by a top down, silo-based approach to service delivery that tends to be too inflexible, impersonal, inefficient and difficult to understand from the perspective of the citizen.

1.1.3 To address the key challenges faced by the Council, a three year Organisational Development Programme was proposed with the following specific outcomes being sought:

- Reduced operating costs, to address rapid fiscal consolidation;

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- Improved outcomes across the Council and in key improvement priorities, to address current performance weaknesses;
- Improved demand management and reduced failure demand, to more efficiently address the increasing demand for services;
- Delivery of key infrastructure projects to accelerate Cardiff's development as a European Capital City, and
- Development of effective partnership and collaborative working where that fits with the Council's objectives.

1.1.4 The Organisational Development Programme comprises two primary Programmes (as set out in Appendix 1 – Organisational Development Structure), each with specific workstream components:

- Programme and Project Enablers and Commissioning (comprising five separate workstreams):
 - Governance & Member Engagement;
 - Engagement & Improvement;
 - Assets & Property;
 - Strategic Commissioning;
 - Commercialisation
- Reshaping Services (comprising four separate workstreams):
 - Customer Focus & Enabling Technology;
 - Services for Vulnerable Children;
 - Services for Vulnerable Adults;
 - Infrastructure & Neighbourhood Delivery.

1.1.5 A key project identified by the May 2014 Organisational Change Report, included within the Infrastructure and Neighbourhood Delivery workstream within the Reshaping Services Programme, is the Infrastructure Services Alternative Delivery Models Project ("the Project") which is the focus of this Outline Business Case (OBC).

1.2 Project Scope

1.2.1 A total of 14 services across 5 directorates are included within the scope of the Project. Each was selected as they share significant challenges, consistent with those identified within the Council's May 2014 Organisational Change report, as set out in Table 1 below:

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Table 1: Key Reasons for Inclusion of the Individual Services within Scope.

Directorate	Service	Cost Savings Required	Income Opportunities	The Need to Increase Capacity to address City Growth	Performance Issues (e.g. High Absence Levels, High Complaint Levels, Low Productivity, Cultural Issues, etc.)	Important Synergies with/Support to Other Services in Scope
Environment	Waste Collection	X	X	X	X	X
	Street Cleansing	X	X	X	X	X
	Waste Education and Enforcement	X	X	X	X	X
	Waste Treatment and Disposal (including Materials Recycling Facility, Waste Transfer Station and Household Waste Recycling Centres)	X	X	X	X	X
	Pest Control	X	X	X	X	X
Strategic Planning, Highways, Traffic and Transport	Highway Operations (including Highway Maintenance, Drainage and Street Lighting)	X	X	X	X	X
	Highways Asset Management	X		X	X	X
	Infrastructure Design and Construction	X	X			X
Sport Leisure and Culture	Parks (including Parks Management and Parks Development)	X	X	X	X	X
Resources	Central Transport Service	X	X		X	X
	Cleaning (non schools)	X	X		X	X
	Security and Portering	X	X			X
	Building Maintenance (including Schools but excluding Housing)	X	X		X	
Economic Development	Projects Design and Development	X	X			X

1.2.2 It should be noted that the Telematics Service was initially included within scope of the project. However, following a restructuring of the Strategic Planning, Highways Traffic and Transport Directorate, the Telematics Service has effectively been disbanded with its former

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functions being transferred to the Highways Asset Management Service with the exception of the Highways Control Room. The Control Room is a service delivered in partnership with the police and has been aligned with the Network Management functions carried out by the Strategic Planning, Highways, Traffic and Transport directorate, which are not in scope of the project.

- 1.2.3 The associated budgets and employee numbers for each service within scope are set out in the Economic Case section of this document.

1.3 Project Objectives

- 1.3.1 Consistent with the May 2014 Organisational Change report, the Project will consider and appraise alternative delivery models for each of the services in scope, with the objective of significantly reducing the operating costs whilst protecting front line service delivery as far as it is possible to do so. Consistent with the Council's challenging medium term financial period (MTFP) saving targets, a savings opportunity of c.£4.3m was identified across the 14 services within scope of this project (c.£2.3m in 2016/17 and c.£2.0m in 2017/18).

- 1.3.2 The Council will retain responsibility for determining the strategy and service requirements relevant to each service. However, the implementation of the strategy, approved by the Council, will be undertaken by whatever arrangements are put in place for the delivery of the front line services, whether in-house or otherwise.

- 1.3.3 In accordance with the report approved by Cabinet in November 2014, work has been progressed to improve the in-house delivery of services within scope of this project. The improvements already made, and a high level summary of those planned for implementation, are set out in the Economic Case section of this document. These will be used as the baseline against which the other four models being considered will be evaluated.

- 1.3.4 The output of this OBC will be to identify a suggested delivery option for each service within scope. Where this is not based on in-house service improvement, this will be subject to further analyses via a Full Business Case. However, the in-house service improvement plans will continue to be pursued for all services in parallel with this process. This will then be used as the in house comparator before any final decision is made on which model should be used for the delivery of each service in scope.

1.4 Sections of the Outline Business Case

- 1.4.1 In addition to the Strategic Case there are four more sections of the Outline Business Case, as follows.

- 1.4.2 The Economic Case:

- Provides an overview of the 'as is' position of each service in scope;
- Provides a high level overview of the in-house service improvements relevant to the services in scope;
- Provides a summary of the alternative delivery models being considered;

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- Sets out the options appraisal process, comprising:
 - the evaluation methodology;
 - a high level financial analysis; and
 - consideration of other factors;
- Identifies the suggested alternative delivery model for each service in scope.

1.4.3 The Financial Case assesses the affordability of the suggested delivery model(s) by

- Projecting costs, savings and income
- Profiling the financial model over a period of time, and
- Detailing underlying assumptions, accounting and tax implications.

1.4.4 The Commercial Case describes how the Council will work in-house, procure or work with partners to achieve the suggested delivery model(s) by:

- Considering the contractual model and duration (where relevant)
- Determining any payment and performance mechanisms (where relevant)
- Describing the procurement strategy (where relevant), and
- Considering how risks will be allocated (where relevant)

1.4.5 The Management Case will describe how the suggested delivery model(s) will be delivered by:

- Describing how the change will be delivered, governed and managed;
- Detailing an implementation timetable and cost;
- Setting out the approvals and assurances that will be required; and
- Setting out the reporting and monitoring arrangements, and
- Setting out the Project Team requirements.

1.4.6 If approved, the suggested delivery model(s) set out in this Outline Business Case will then be subject to more detailed consideration via a Full Business Case(s). If the Full Business Case(s) is approved, implementation will then commence.

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2. The Economic Case

2.1 Introduction to As-is Analysis of Services in Scope

- 2.1.1 To assist with the implementation of the programme of organisation change initiated by the Chief Executive's Cabinet Report of 15th May 2014, the Council's Commissioning and Procurement Service developed a Service Planning Framework comprising three key phases. This Framework (which can be found on the CIS system under [Commissioning and Procurement/Procedures/Service Reviews/001-Service Review Toolkit](#)) has been reviewed by Cabinet and also the Policy Review and Performance Committee.
- 2.1.2 Phase 1 (Service Review) involves undertaking a structured service review which includes a desk based data collection and analysis, benchmarking and engagement / consultation with key stakeholders. A Service Review Toolkit, which requires the completion of a detailed questionnaire, has been developed to assist with the completion of this structured review.
- 2.1.3 Phase 2 (Outline Business Case) comprises an appraisal of the ability of alternative delivery models to meet the Organisational Programme Objectives (see 1.1.3 above), and the completion of an Outline Business Case (OBC) to examine, on an outline basis, the strategic, economic, commercial, financial and management case for the project and identified way forward.
- 2.1.4 Phase 3 (Full Business Case) comprises the detailed examination of the strategic, economic, commercial, financial and management case for the suggested delivery model for each service.
- 2.1.5 The Service Reviews (Phase 1) were completed by the relevant Operational Managers and subject to challenge by their Directors and also Trade Unions. A tabulated summary of the Service Reviews is reported separately for each service in scope in sections 2.2 to 2.6 below.
- 2.1.6 This document forms the output from Phase 2 (Outline Business Case). Phase 3 will be initiated if the Outline Business Case is approved by the Council's Cabinet.

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2.3 Environment Directorate Services As-is Summary

2.2.1 Waste Collections

Service Title	Waste Collections			
Service Description	Provision of Domestic and Commercial Waste Collections for the citizens and businesses of Cardiff			
Statutory Services Provided	<ul style="list-style-type: none"> Collection of Domestic Waste is a statutory obligation, charges can be levied for the provision of receptacles as well as the collection of garden and bulky waste Collection of Recyclable Waste and fulfilment of recycling targets set by Welsh Government The Council must provide a Commercial collection service if requested, this can be carried out in house or by a partner 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Bulky waste collection Hygiene waste collection Assisted lifts 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 23.4 million scheduled domestic waste collections per annum, serving c. 153,000 properties 15,600 bulky collections per annum 93,600 commercial collections per annum 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 237 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	11,826	8,079	3,747	-271
2015/16	12,458	8,496	3,962	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Commercial collections has a market share of c.27% (2014) Skilled and experienced employees to deliver the services The Council's domestic and commercial customers are broadly satisfied with the services provided Operating surplus delivered in 2014/15 		<ul style="list-style-type: none"> Sickness absence levels , although these have reduced from 23.7 days per FTE in 13/14 to 21.18 days per FTE in 14/15 Lack of industry standard technology Custom and practice issues, for example, the Job and Finish system which operates on a waste stream rather than all waste stream basis Pay enhancements mean working weekends and from 8pm- 6am are more costly than other times Performance issues in respect of the Council's fleet 		
Opportunities		Threats		
<ul style="list-style-type: none"> Growing the Commercial collections business Collaboration with neighbouring authorities or external partners Increase marketing of Commercial collections and stretch communication boundaries Reduce overheads and optimisation of fleet 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Reduction in the Sustainable Waste Management Grant Forecast demographic growth and resultant increase in demand on the service 		

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2.2.2 Street Cleansing

Service Title	<ul style="list-style-type: none"> Street Cleansing 			
Service Description	<ul style="list-style-type: none"> Cleansing of adopted highway areas across the city (except Lloyd George Avenue and The Hayes) Removal of fly-tipping 			
Statutory Services Provided	<ul style="list-style-type: none"> Street cleansing Bin emptying Removal of fly-tipping 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> n/a 			
Customers and Volume of Demand	<ul style="list-style-type: none"> Street cleansing of c.1088km of carriageway and c.1900km of footway Emptying c.1700 bins Removal of waste from 6,700 fly-tipping incidents (in 2013/14) 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 177 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	6,330	717	5,614	-236
2015/16	5,526	505	5,021	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Skilled and experienced employees to deliver the services 78% of respondents to the Ask Cardiff 2014 Survey rated street cleansing in the city centre and their street as very good 63% of respondents to the Ask Cardiff 2014 Survey rated street cleansing in the city centre and their street as good The early feedback from the Neighbourhood Services pilot being undertaken in the South West Neighbourhood Management area of the city is positive Service has achieved significant savings in previous years Operating surplus delivered in 2014/15 		<ul style="list-style-type: none"> Sickness absence levels, although these have reduced from 20.35 days per FTE in 13/14 to 16.12 days per FTE in 14/15 Lack of industry standard technology Custom and practice issues, for example, teams returning to their depot for breaks rather than taking breaks on their rounds Pay mean working weekends and from 8pm- 6am are more costly than other times Performance issues in respect of the Council's fleet 		
Opportunities		Threats		
<ul style="list-style-type: none"> Rolling out the Neighbourhood Services approach to street cleaning across the city Growing the service by pursuing commercial opportunities Co-ordinating voluntary groups to increase capacity and benefits to the Community Increase productivity and performance of the function Reduce overheads and optimisation of fleet 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Forecast demographic growth and resultant increase in demand on the service 		

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2.2.3 Waste Treatment and Disposal

Service Title	Waste Treatment and Disposal			
Service Description	<ul style="list-style-type: none"> Receiving, treating and disposing of Cardiff residential domestic waste and also commercial waste collected by the Council's Commercial Waste Collections service Waste Treatment and Disposal includes the Materials Recycling Facility (MRF); two Waste Transfer Station's (WTS), 3 Household Waste Recycling Centres (HWRC's) and the depots at Lamby Way & Millicent Street 			
Statutory Services Provided	<ul style="list-style-type: none"> Provision of a HWRC (each Council must provide a minimum of 1) Management of the waste facilities and depots to comply with Health & Safety and Waste Management legislation & regulation Provision of a means to recycle, treat and dispose of all controlled municipal waste collected as the Waste Disposal Authority 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Provision of more than 1 HWRC Provision of Waste Transfer Stations Provision of a Materials Recycling Facility 			
Customers and Volume of Demand	<ul style="list-style-type: none"> The service receives, stores and processes c.170,000 municipal waste per annum, including c.34,000 tonnes of waste received by the 3 HWRC's and c.35,000 tonnes dry recycling waste processed by the MRF. The WTS processes c.132,000 tonnes per annum. 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 81 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	7,724	4,597	3,126	+1,103
2015/16	6,596	3,726	2,870	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Skilled, experienced and flexible employees In house waste facilities with planning permissions and waste regulatory licenses and permits 75% of respondents to the Ask Cardiff 2014 survey rated the HWRC facilities as very good or good MRF has improved performance following changes to the shift patterns in June 2014 In-house service provision avoids adverse external contractor rates e.g. MRF external gate fees are significantly less than external market rates 		<ul style="list-style-type: none"> Sickness absence levels, although these have reduced from 23.7 days per FTE in 13/14 to 18.78 days per FTE in 14/15 Pay enhancements mean working weekends and from 8pm- 6am are more costly than other times The HWRC's use fixed annual open hours rather than hours based on demand Weekly reject levels at the MRF range from 12 - 18%, due to contamination received from collected waste Speed of procurement in securing new 'end' markets for selling MRF processed materials adversely affects income levels Performance issues in respect of the Council's fleet Restricted number of assets and capacity at the MRF Significant operating deficit in 2014/15 		

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Opportunities	Threats
<ul style="list-style-type: none"> • Grow income by processing dry-recycling waste and bulking operations for other Council's; improving the performance of the MRF; securing additional customers for the commercial waste facilities • Supporting Commercial collections on external waste contract tender bids through the use of the service's Skip Lift Operations • Base budgeting of the service 	<ul style="list-style-type: none"> • Ongoing Council budget reductions in the short/medium term • Forecast demographic growth and resultant increase in demand on the service • Absence of long term markets for increasing volumes of recycling UK and Europe wide • External market risks based on worldwide recyclate prices • Increased contamination levels from waste collections and low participation • Changing legislation which could result in a failure to meet targets and fiscal penalties

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2.2.4 Waste Education and Enforcement

Service Title	Waste Education and Enforcement			
Service Description	Provision of recycling and waste management related education and enforcement activities			
Statutory Services Provided	<ul style="list-style-type: none"> Enforcement activities in relation to fly-tipped waste 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Education in respect of waste presentation and recycling Assessment of assisted lift requests Enforcement of waste-related environmental crime including incorrect waste presentation, littering, abandoned trollies and dog fouling 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 1,200 requests per month including c.400 calls regarding littering, dog fouling & fly-tipping and 100 assisted lift request Removal of c.1000 abandoned trollies per year Issue of c.522 FPN's per year (2014/15) 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 27 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	2,844	970	1,874	+22
2015/16	1,280	708	571	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Skilled and experienced employees to deliver the services The early feedback from the Neighbourhood Services pilot being undertaken in the South West Neighbourhood Management area of the city is positive Service has recently made significant savings, reducing net expenditure by 60% 		<ul style="list-style-type: none"> Lack of industry standard technology The Council's Pay Enhancements which mean working weekends and from 8pm- 6am are more costly than at other times Team has been recently reduced (to achieve budget savings) which has reduced the capacity of the service to meet its workload Loss of historical legal and court knowledge from the team reduction Further training needed within the service to ensure that all relevant employees have the same level of capability to deal with PACE (Police and Criminal Evidence Act 1984) and court prosecution work 		
Opportunities		Threats		
<ul style="list-style-type: none"> Improve the streetscene and earn additional income by increasing the amount of enforcement action against members of the public and businesses that do not comply with relevant environmental legislation Collaborate with Commercial Services to optimise fines and income 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Forecast demographic growth and resultant increase in demand on the service 		

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2.2.5 Pest Control

Service Title	Pest Control			
Service Description	Provision of a pest control service in respect of common pests including rats, mice, squirrels, fleas, bedbugs, cockroaches and wasps. It also undertakes some bird control work.			
Statutory Services Provided	<ul style="list-style-type: none"> The Council is required to take such steps as may be necessary to secure as far as practicable that the district is kept free from rats and mice It is also required to ensure that other owners and occupiers of land comply with similar duties It also has a duty to investigate and deal with Filthy and Verminous Properties 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Provision of a commercial pest control service Providing advisory service and sending letters and/or test baiting when there have been reports of rodents in an area Offering one Council approach for general public health issues e.g. liaising with Food Safety, Waste Management, Housing and Parks 			
Customers and Volume of Demand	<ul style="list-style-type: none"> Customers are Private Domestic, Private Commercial, Local Authority Departments, Welsh Water In 14/15 there were 2788 requests for service, 6676 visits (including contracts) and 4470 sewers baited 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 8 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	324	305	19	-8
2015/16	352	301	50	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> High levels of customer satisfaction, based on compliments received and historical customer surveys Qualified employees with appropriate skills and experience Quick response times Value for money service compared to private sector Well established links with other Council departments ensuring a one Council approach to efficiently resolve a problem Dedicated, knowledgeable administrative employees who accommodate customer requirements 		<ul style="list-style-type: none"> Currently unable to offer a service to domestic customers at night or on weekends Small team means that there is limited capacity to grow and attract new business contracts due to existing demands Poor marketing of service Uncontrollable internal overheads 		
Opportunities		Threats		
<ul style="list-style-type: none"> Growing the Pest Control Service by increasing the size and capacity of the team Increase marketing through other Council Services and with a dedicated website 		<ul style="list-style-type: none"> Competition with private sector companies 		

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2.4 Strategic Planning Highways Traffic and Transport Directorate As-Is Summary

2.4.1 Highway Operations

Service Title	Highway Operations			
Service Description	The service is responsible for carrying out functions to fulfil the Council's statutory obligation to maintain the adopted highway and associated assets (Highways Act 1980 and other legislation)			
Statutory Services Provided	<ul style="list-style-type: none"> Reactive highway repairs, renewals, resurfacing, footway reconstruction, street lighting, lining, signing, drainage operations, traffic management and barrier repairs for high speed routes Winter and twenty-four hour emergency services 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Legislation does not stipulate a standard that the functions should be carried out to, so the service uses the guidance provided in the Well Maintained Highways, Code of Practice for Highway Maintenance Management 2005 			
Customers and Volume of Demand	<ul style="list-style-type: none"> The adopted highway in Cardiff equates to 1400km of footways and 1092km of carriageway creating various levels of demand on the service In 2014/15 there were 98,500 tarmac repairs and 17,500 paving repairs completed internally 1,800 were sent to external providers 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 48 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	7,260	1,966	5,294	+204
2015/16	6,728	1,644	5,084	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> In 13/14 performance Indicators for Urgent and Emergency works are at a high level Service is able to co-ordinate and address additional but necessary services i.e. Winter Maintenance and 24 Hour Emergency Response Brindley Road depot has appropriate facilities for an operational base 		<ul style="list-style-type: none"> Understanding the customer and their needs Customers are not satisfied with the level of service Lack of industry standard technology Low focus on external market and commercial opportunities Performance management and a lack of ownership/responsibility at all levels Performance indicators for routine repairs are low Fleet and fleet management costs and inefficiencies Asset deterioration which is increasing demand on the service Volume and cost of compensation claims Corporate investment strategies do not prioritise essential highway maintenance High levels of non-productive time 		
Opportunities		Threats		
<ul style="list-style-type: none"> Grow the service to become more commercially viable, however this would require significant investment and for productivity levels to improve 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Forecast demographic growth and resultant increase in demand on the service 		

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2.3.2 Highways Asset Management

Service Title	Highways Asset Management			
Service Description	<ul style="list-style-type: none"> The service is responsible for carrying out functions to fulfil the Council's statutory obligation to maintain the adopted highway and associated assets (Highways Act 1980 and other legislation). There is also a network management duty: To secure the expedition, convenient and safe movement of vehicular and other traffic (including pedestrians) on the highway 			
Statutory Services Provided	<ul style="list-style-type: none"> Compilation of Capital programmes for the Highway Operations Service Developing the Council's approach to Highway Asset Management Undertaking highway safety inspections Investigation of highway insurance claims Managing and carrying out streetworks inspections Managing and administering the highway licensing function Provision, implementation and maintenance of Intelligent Transport Systems in Cardiff Maintenance of the traffic systems and structures associated with Butetown Tunnel 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Legislation does not stipulate a standard that the functions should be carried out to, so the service uses the guidance provided in the Well Maintained Highways, Code of Practice for Highway Maintenance Management 2005 			
Customers and Volume of Demand	<ul style="list-style-type: none"> The adopted highway in Cardiff equates to 1400km of footways and 1092km of carriageway The inspection function carried out 7,744 inspections in 2014/15 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 33 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15*	4,000	1,398	2,602	+161
2015/16*	4,879	1,079	3,800	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> AMX software for Asset Management Highway Asset Management Policy Knowledge, experience and flexibility of employees 		<ul style="list-style-type: none"> Understanding the customer and their needs Customers are not satisfied with service delivery Lack of industry standard technology Low focus on external market and commercial opportunities Performance management Utilisation of contracts, currently work undertaken in house is not covered where a contract may offer better value for money 		
Opportunities		Threats		
<ul style="list-style-type: none"> Improve commercial viability Delivery of services in collaboration with neighbouring authorities or partner organisations 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Forecast demographic growth and resultant increase in demand on the service 		

* The Highways Asset Management service has undergone a restructure and other changes over the last financial year, the budget figures assigned to Highways Asset Management will need to be reviewed and clarified further as part of the Full Business Case

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2.3.3 Infrastructure Design and Construction Management

Service Title	Infrastructure Design and Construction Management			
Service Description	Delivery of all civil engineering projects on behalf of the Council			
Statutory Services Provided	<ul style="list-style-type: none"> None of the functions provided are a statutory responsibility for the Council 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Feasibility / Concept Design Detail Design Project Management Contract Management Site Supervision Construction, Design and Management services 			
Customers and Volume of Demand	<ul style="list-style-type: none"> In 2013/14 service delivered £15 million worth of work, which equated to around 45 individual projects 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 22 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	1,457	1,426	31	-28
2015/16	1,215	1,105	109	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Flexible and competent employees who deliver projects under tight timescales No negative impact on the Council's revenue budget, funding is from charges levied on Capital projects 		<ul style="list-style-type: none"> Insufficient employee numbers to deal with increasing demand levels Annual budget setting makes management of the service and allocation of employees to projects difficult Commercial opportunities are not fully understood, and potential profit margin is overestimated 		
Opportunities		Threats		
<ul style="list-style-type: none"> Commercialisation of the service by taking on opportunities to work with neighbouring authorities, other public bodies and on private projects if the service had extra capacity 		<ul style="list-style-type: none"> Use of external consultants to undertake projects for the Council Loss of employees and capacity due to uncertainty in the Council and employment opportunities outside of the Council 		

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2.5 Sport Leisure and Culture Directorate As-is Summary

2.5.1 Parks Management and Development

Service Title	Parks Management and Development			
Service Description	Management and development of public open space provision throughout the city			
Statutory Services Provided	<ul style="list-style-type: none"> • Provision of land for allotment gardening • Inferred responsibilities from various legislation • Obligations linked to the provision and management of public open space linked to Planning Policy & Guidance • Fulfilment of covenant and grant conditions 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Grounds maintenance activities i.e. grass cutting, litter clearance • Arboriculture • Sports pitch management • Plant production 			
Customers and Volume of Demand	<ul style="list-style-type: none"> • In excess of 1,600 hectares of land managed (not including amenity grassland, housing green space, office grounds and strategic estates land) • 7,000 participants for sport pitch and facility provision during a traditional winter weekend fixture programme 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> • 151 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	7,806	2,333	5,473	+1
2015/16	7,536	2,354	5,182	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> • High public profile and well supported politically • Good levels of customer satisfaction • 2014 APSE Runner up for most improved performer in parks, open spaces and horticultural services • Comprehensive programme of Apprenticeships, Traineeships and work experience opportunities • Good engagement with friends and volunteer groups • Mixed economy for the provision of functions, which have historically been exposed to competition 		<ul style="list-style-type: none"> • Understanding the customer and their needs • Management information is inconsistent • No suitable 'operational' performance indicators • Low focus on external environment and commercial opportunities • Service does not effectively show how it delivers benefits, that facilitate Corporate objectives e.g. Health and Well Being • Lack of industry standard technology • Ageing vehicles, machinery and equipment • Lack of investment in outdoor sport building stock • Some operational facilities are not fit for purpose 		
Opportunities		Threats		
<ul style="list-style-type: none"> • Change the delivery model or make internal changes to the service • Grow the service to become more commercially viable (however investment would be required) 		<ul style="list-style-type: none"> • Forecast demographic growth and resultant increase in demand on the service • Expectations of all stakeholders exceeding what the service can realistically provide 		

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2.5 Resources Directorate As-is Summary

2.5.1 Central Transport Service

Service Title	Central Transport Service			
Service Description	Enabling service with responsibility for fleet management and maintenance on behalf of Council services			
Statutory Services Provided	<ul style="list-style-type: none"> Fulfilment of statutory obligations placed against all vehicles i.e. MOT testing, HSE compliance 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Fleet management; parts procurement; vehicle repairs (scheduled and non-scheduled); legislation and compliance; management of external/partnership revenue streams; management of fuel usage and management of service level agreements with other service areas 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 900 vehicles (600 inspected once a year, large good vehicles inspected every 8 weeks creating around 1,000 inspections per annum) 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 37 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	8,977	9,043	-66	-56
2015/16	8,111	8,009	102	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> State of the art depot at a prime location in Coleridge Road Skilled workforce Can offer private MOTs to compete for additional income Recent changes have reduced waste and unnecessary demand on the service, allowing for a restructure 		<ul style="list-style-type: none"> Systems and processes that do not support visibility of spend, income and overheads Not enough measures of customer satisfaction Lack of experience in managing a large vehicle operation Lack of suitable industry standard software used to manage the service Council policies and processes prevent the service from adapting to change at pace 		
Opportunities		Threats		
<ul style="list-style-type: none"> Use workshop spare capacity to expand service or offer concessions Offering repairs to council employees when vehicles are presented for MOT and fail Offer after hour repairs (5pm – 10pm) 4 days a week to organisations within Cardiff Develop and provide a robust pricing matrix for vehicles, based on individual repair jobs and vehicle life costs Improve data management and performance Potential to sell services and generate further income Potential to make significant savings by replacing long term hire vehicles with lease hire or purchase 		<ul style="list-style-type: none"> External contractors are able to offer more competitive and speedy levels of service Changes in other service areas could further diminish the fleet and internal demand on the service, any loss of service and internal income would need to be addressed by pursuing external income Supporting technology and software is constantly evolving, potentially leaving the service 'behind the times' Current levels of flexibility could be lost if the service is combined with others or is run under a different operating model 		

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2.5.3 Soft Facilities Management - Cleaning

Service Title	Soft Facilities Management – Cleaning			
Service Description	Enabling service with responsibility for cleaning offices and buildings across the Council			
Statutory Services Provided	<ul style="list-style-type: none"> Provision of cleaning services satisfies the Council's 'Duty of Care' for Regulation 9 of Workplace (Health, Safety and Welfare) Regulations 1992 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> All functions carried out are non statutory in nature but are necessary to satisfy legislative responsibilities as detailed above 			
Customers and Volume of Demand	<ul style="list-style-type: none"> Bulk of demand on the service relates to cleaning for all core buildings and Council owned non domestic properties, which is carried out on a daily basis to output based cleaning standards 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 73 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	1,637	1,641	-4	-71
2015/16	1,744	1,744	0	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Experienced managers and employees, with a high level of retention City of Cardiff Brand is a selling point for other public bodies and schools Supports and enables service delivery across the Council Output based cleaning specification provides a good level of cleaning with reduced employee numbers Customers trust the in-house provision and satisfaction levels are high 		<ul style="list-style-type: none"> Delivery of service from a variety of locations during unsocial hours, makes it hard to manage and develop employees Unable to compete commercially with open market Lack of industry standard technology Sickness absence levels have slightly increased from 9.59 days per FTE in 13/14 to 9.94 days per FTE in 14/15 Duplication of functions across the Council Historical low focus on exploiting commercial opportunities Service is isolated from Strategic Estates where property decisions are made Under investment in buildings creating office accommodation that is difficult to clean 		
Opportunities		Threats		
<ul style="list-style-type: none"> Pursue income from schools, other public sector bodies and externally Delivery of services in collaboration with neighbouring authorities or partner organisations Centralising/integrating duplicate functions Expanding services offered 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Property strategy is progressing disposal of Council owned premises creating less internal demand for the service 		

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2.5.5 Soft Facilities Management – Security and Management

Service Title	Soft Facilities Management – Security and Building Management			
Service Description	Enabling service with responsibility for security and building management across the Council			
Statutory Services Provided	<ul style="list-style-type: none"> Provision of security satisfies the Council's 'Duty of Care' in relation to the Health and Safety Act 1974 as well as insurance cover obligations Provision of building management satisfies the Council's 'Duty of Care' for the Health and Safety at Work Act 1974 and the Workplace Health and Safety Regulations 1992 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> All functions carried out are non statutory in nature but are necessary to satisfy legislative responsibilities as detailed above 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 240 key holding accounts, for mobile security as well as planned opening and closing of buildings and open areas Average of 30 mobile security call outs per month 1,250 weekly hours of static security Relief caretaking to cover schools 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 31 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	1,438	1,417	21	-111
2015/16	1,359	1,231	129	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Experienced managers and employees, with a high level of retention City of Cardiff Brand is a selling point for other public bodies and schools Supports and enables service delivery across the Council Customers trust the in-house provision and satisfaction levels are high 		<ul style="list-style-type: none"> Delivery of service from a variety of locations during unsocial hours, makes it hard to manage and develop employees Unable to compete commercially with open market Lack of industry standard technology Sickness absence levels have slightly increased from 12.11 days per FTE in 13/14 to 12.14 days per FTE in 14/15 Duplication of functions across the Council Historical low focus on exploiting commercial opportunities Employee knowledge in critical areas of security management Service is isolated from Strategic Estates where property decisions are made Under investment in buildings creating office accommodation that is difficult to secure 		
Opportunities		Threats		
<ul style="list-style-type: none"> Pursue income from schools, other public sector bodies and externally Delivery of services in collaboration with neighbouring authorities or partner organisations Centralising/integrating duplicate functions Expanding services offered 		<ul style="list-style-type: none"> Ongoing Council budget reductions in the short/medium term Property strategy is progressing disposal of Council owned premises creating less internal demand for the service 		

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2.5.4 Hard Facilities Management

Service Title	Hard Facilities Management			
Service Description	Enabling service with responsibility for building repair & maintenance, building improvements and planned preventative maintenance of a statutory nature			
Statutory Services Provided	<ul style="list-style-type: none"> Fulfilment of the Council's 'duty of care' responsibilities for employees as part of the Health and Safety at Work Act 1974 and the Workplace Health and Safety Regulations 1992 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> All functions carried out are non statutory in nature but are necessary to satisfy legislative responsibilities as detailed above 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 104 schools signed into Service Level Agreements Maintenance of 483 Council buildings and 500 building in total that receive statutory services During 2013/14 this generated a total of 8,158 jobs 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 53 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	11,341	11,503	-162	-182
2015/16	10,478	10,478	0	-
Strengths	Weaknesses			
<ul style="list-style-type: none"> Skilled workforce with a good knowledge of the building portfolio, maintenance/construction and Health and Safety legislation Customer loyalty particularly amongst primary schools Customers trust the Council brand over external contractors Focused on delivering a high level of customer service 	<ul style="list-style-type: none"> Building Maintenance Framework Contract does not suit operational needs of the business unit and management of the contract needs to improve Unit is income funded which means that sub-contracting adds to cost of the job Productivity management of the workforce Lack of performance benchmarking Not all income is recovered Customer demand outweighs workforce capacity Lack of industry standard scheduling and facilities management technology Lack of capital investment in properties Risk of non compliance with Statutory Obligations for Health & Safety contract management Schools could become dissatisfied with levels of communication and service provided, resulting in a loss of customers 			

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Opportunities	Threats
<ul style="list-style-type: none">• Pursuing income from schools, small businesses, private dwellings and other Local Authorities• Growing the trades team to insource work• Improve Service Desk and restructure service to meet customer requirements• Closer collaboration with framework partners to improve outcomes and minimise costs• Review of directorates and integration of teams carrying out duplicate functions• Modification of building maintenance framework contract	<ul style="list-style-type: none">• Reducing maintenance budgets• In light of budget cuts customers could lose patience with paying an uplift for professional advice from the service on top of the uplift applied by the contractor, resulting in a loss of customers

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2.6 Economic Development Directorate As-is Summary

2.6.1 Projects, Design and Development

Service Title	Projects, Design and Development			
Service Description	Delivery of design and project management for the capital programme and other non-housing construction projects on behalf of the Council			
Statutory Services Provided	<ul style="list-style-type: none"> None of the services provided are a result of any statutory obligation 			
Non-Statutory Services Provided	<ul style="list-style-type: none"> Design functions offered by the service support the Council's Asset Management Strategy which seeks to preserve and improve the existing building stock There is an established Council policy and set of procurement rules that state that in-house services for the design of Capital works must be used in the first instance 			
Customers and Volume of Demand	<ul style="list-style-type: none"> 320 projects per year ranging from a structural survey to multi million pound schemes; such schemes can take years to develop from inception to completion Currently the majority of design and project management work relates to the Schools Organisational Planning Programme which is expected to last until at least 2018/19 			
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 47 			
Budget/Variance (£000's)	Gross Budget	Total Income Budget (Internal, Grant and External)	Net Expenditure Budget	Variance Against Initial Budget
2014/15	3,096	3,137	-41	-42
2015/16	2,016	2,016	0	-
Strengths		Weaknesses		
<ul style="list-style-type: none"> Delivery of a quality, professional service with a satisfied end user customer base Operates with a trading account and is a cost neutral self sufficient service Fees charged are competitive Continual Improvement is embedded within the service Employees have extensive knowledge and experience Databases are in place to track current building stock and site ground conditions 		<ul style="list-style-type: none"> Some clients do not understand the design and construction process , and need to be educated to help avoid additional costs and delays In 2013/14 internal client satisfaction was below target level of 75% , this has since been addressed A benchmarking exercise from a few years ago showed that the service may not be the most economical route for the Council to use where schemes exceed £5 million in value 		
Opportunities		Threats		
<ul style="list-style-type: none"> Potential collaborative working with other Local Authorities to provide a design service and generate income for Cardiff Council Merge Cardiff with another Local Authority or Local Authorities to deliver design and project management functions 		<ul style="list-style-type: none"> Improving market conditions could result in a loss of employees, due to more attractive employment opportunities elsewhere which the Council can not compete with 		

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2.7 Summary of Service Improvements Required

2.7.1 Following completion of the Service Reviews, the Operational Managers were requested to prepare Improvement Plans for each service in scope of the project. The primary objectives of this work were to identify saving opportunities for input into the budget setting process with a particular focus on the 3 year MTFP period commencing in 2015/16, and also provide cost saving projections for the Modified In-house Alternative Delivery Model which is one of the five models being considered by this Outline Business Case, based on such service improvement plans. It was also intended that the improvement plans address issues that were identified in the Service Reviews.

An indication of the types of Service Improvements identified by the service areas are included in the High Level Financial analysis in section 2.9.3 of this Outline Business Case.

2.8 Overview of Alternative Delivery Models Being Considered

2.8.1 Establishment of Short List of Alternative Delivery Models

2.8.1.1 The following seven alternative delivery models (ADMs) were initially researched and appraised:

- Modified in-house service delivery
- Establishment of wholly owned arms Length Company
- Public/Public Corporate Joint Venture
- Public/Private Corporate Joint Venture
- Social Enterprise (Co-operatives and mutuals)
- Collaboration (Shared Service Agreement)
- Outsourcing

2.8.1.2 This initial appraisal work raised concerns regarding whether some of these models could realistically deliver against the challenges faced. As identified within the Project Objectives (section 1.3), a key consideration is the time required for the chosen model to be implemented and thereafter deliver against its objectives. With reference to Cardiff Council's previous and ongoing collaboration work with other nearby Councils (Prosiect Gwyrdd - collaboration with Newport, Monmouthshire, Caerphilly and Vale of Glamorgan Council's for the procurement of residual municipal waste treatment facilities , and the Regulatory Services project – collaboration with the Bridgend and Vale of Glamorgan Council's for the provision of regulatory services across the three Council areas), the Project Team believed that the adoption of Shared Services type of collaboration, on its own, at the current time, would not give certainty to Cardiff Council in addressing its critical challenges, in particular, the achievement of cost savings within the MTFP period. However, it was recognised that this did

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not mean that other collaboration opportunities would not be explored in respect of whichever model is ultimately adopted

2.8.1.3 Additionally, the research did not identify any significant social enterprise spin-out models previously established by Councils to deliver any of the services covered by this project (although Sunderland was understood to be currently in the process of developing a mutual approach to deliver similar services), hence no track record for the successful operation of this type of model for the services in scope has been identified. Additionally newly set-up social enterprises can find it difficult to be competitive and win contracts in the short-term, thereby putting the future of such organisations at risk; it is also likely that there would be a c. 18 months set up time. As a result it was considered that the risk in adopting a social enterprise model to address the critical challenges faced by the Council would be too high for any of the services currently in scope. However, it was noted that such a model may be appropriate for the delivery of other Council services, subject to appropriate business analyses being undertaken.

2.8.1.4 Consequently, it is considered that the remaining models had the potential to achieve the project objectives in respect of the services in scope:

- Modified In-house
- Wholly Owned Arms Length Company,
- Public/Public Corporate Joint Venture,
- Public/Private Corporate Joint Venture and;
- Outsourcing

2.8.1.5 On 20th November 2014, the Council's Cabinet approved that this short list of models be subject to further evaluation and a business case analysis to determine the suggested service delivery models for each service in scope.

2.8.1.6 To assist with this, Cabinet also approved the undertaking of a 'soft market analysis' through the publication of a Prior Information Notice (PIN) with a Memorandum of Information in the European Journal. An overview of this exercise is included in Appendix 6 – Soft Market Testing Summary.

2.8.1.7 The following sub-sections provide a brief description of each model being considered and examples of where each model has been implemented. More detailed information regarding each model in respect of the eight evaluation criteria can be found on the CIS system under [Commissioning and Procurement/Procedures/Alternative Delivery Model \(ADM\)/002 - Assessment Panel Pack - Part 2](#).

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2.8.2 Modified In-House

Brief Description of Model

Under this model, the Services in Scope continue to be delivered in-house using employees directly employed by the Council. The Services would be redesigned as required through 'leaning' and re-engineering of procedures, policies and processes and using industry best practice technology to become self-sustaining and cost effective, commercially focussed business units.

The commercial trading abilities of an in house model would remain the same as that of the Council, that is, the risk and reward from reshaping the Council would be held by the Council.

In terms of trading and income provision, it should be noted that growth opportunities are not without limit. In this context it should be borne in mind that an Authority has to rely on statutory powers to trade in an activity and it cannot rely on the general power under section 95 Local Government Act 2003 without establishing a corporate vehicle.

Key features of this option include:

- Existing employees remain as Council employees;
- The pension scheme would continue to apply to affected employees;
- Employment costs and liabilities would remain with the Council;
- Management structures and job grading would continue to be consistent with Corporate Job Evaluation principles, and
- Specialist support services for the services (finance, HR, ICT etc.) would continue to be provided by the Council.

A significant amount of work has already commenced regarding the development of a Modified In-House for Cardiff. The work includes the preparation of In-house Improvement Action Plans for each service in scope with financial and other benefits being identified. Further information on these plans is provided on a service by service basis in section 2.9.3 below.

A significant In-house improvement project already under away is the Neighbourhood Management Services project. The Services involved include Parks Maintenance, Street Cleansing, and Waste Enforcement, which are in scope of this project. The objectives of this work are to provide an improved land and street scene service, whilst delivering cost efficiencies and improved customer satisfaction and maintaining resilience to service performance during significant budget cuts. This will be achieved through service delivery becoming more responsive to the needs of the community and allowing employees to have more autonomy in addressing these needs. Following a detailed resource analysis with Value Stream Analysis and rapid improvement events with frontline operational teams, a pilot commenced in the South West Neighbourhood Management area (comprising the wards of Riverside, Canton, Caerau and Ely) in February 2015. Early feedback from a service delivery and workforce point of view has been positive and in June, this approach was rolled

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out to the Cardiff West and Cardiff City and South Neighbourhood Management areas. It is intended to expand this new way of working across the other three neighbourhood areas by September 2015. In addition to improving service delivery, this initiative is expected to save the Council c£1.6m per year going forward.

Another improvement of note is being achieved in Highways Operations on the back of a Director led Engagement Programme initiated in 2014/15. The focus of the programme has been to improve communications, improve relations between management and frontline staff, and thereby improve performance. The success of the engagement programme, although ongoing, can be seen through improvements in service delivery flexibility and also performance. For example, the completion of Category 2 safety repairs to the highway (within 28 days) increased from 48.69% in July 2014 to 97.26% in March 2015.

Also, the Education Cleaning resources have now been fully integrated within Facilities Management Cleaning Services function. This has been done to improve operational efficiencies and standardise service delivery processes. A strong commercial focus is being targeted with the objective of achieving commercial growth through providing services to other public sector organisations during this financial year and beyond.

Examples of Councils that have adopted an In-House Model

- Oxford City Council – Oxford Direct Services was established in 2011 to deliver a range of front line operational services (including Environmental), with an instilled commercial ethos using trade to offset budget cuts. Benchmarking and market testing has been used to improve the productivity of employees and to ensure that the in house operation provides the Council with best value, for example Waste Collection operations were put out to tender and won by the in-house provider. Oxford has also been able to improve performance and competitiveness by coming out of National Terms and Conditions. In 2013/14 Oxford Direct Services beat its turnover target and provided an additional £750,000 surplus to the Council.
- Tameside Metropolitan Borough Council – The Council has transformed its Operations and Green Space services (street cleansing, grounds maintenance, countryside, arboricultural and horticultural works) from the bottom up to meet budgetary pressures. In working with employees and adopting a zonal approach to work, the service was able to deliver a 25% (c. £1,000,000) cost saving in 2013/14 and a 42% cost saving since 2011. Cost reductions have been achieved by creating a more productive multi-skilled workforce in addition to reduced employee and management numbers, as well as reduced numbers of vehicles and depots. The service has still been able to maintain previous levels of service, supplemented by 20,000 hours of unpaid work from the Probation Service, Youth Offending Service and Routes to Work Charity.
- East Ayrshire Council – The Council which already possesses a good cleaning function has recently trialled a new approach to achieve further efficiencies. By utilising Bio Active cleaning products they have been able to improve productivity, customer satisfaction, health & safety and achieve high environmental standards. The new approach has increased productivity by an estimated 15% which has presented the Council with a £150,000 saving opportunity for employee costs plus a potential extra £12,000 saving for cleaning supplies.

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2.8.3 Establishment of a Wholly Owned Trading Company

Brief Description of Model

Under this model, the Services within scope would be delivered by a trading company set up and wholly owned by the Council in accordance with Section 95 of the Local Government Act 2003.

The main effect of this is to enable Councils to trade with the private sector (subject to the limits set out below) in respect of function related activities for a profit and enter into commercial contracts. The profits would then go back to the Council through dividends or rebates on service charges. The Company would need to ensure that it has, or can acquire, the commercial skills and capability that would be required to ensure that it could take advantage of the new trading freedom.

If the Council satisfies the provisions of the “Teckal exemption”, then it may ‘passport’ work to the company without following a formal procurement process. For the company to benefit from the “Teckal exemption”, the following criteria must be satisfied:

- a) the trading company must be wholly owned by the public owned authority, and there can be no private ownership or interest in the company;
- b) the local authority exercises a control which is similar to that which it exercises over its own departments, and
- c) the trading activity of the company must not exceed 20% of the turnover of the company, that is, 80% or more of the activity of the company must be for its public sector owners.

The Council’s employees would transfer to the new company through the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) meaning that their existing Terms and Conditions would be protected. However, as with other models, the non-contractual elements of employment under the wholly owned company model would be structured towards improving organisation performance and service delivery.

As with the In-House model, the Services would need to be redesigned as required through ‘leaning’ and re-engineering of procedures and processes to become self-sustaining and cost effective, commercially focussed business units.

The Wholly Owned Company would have an independent board (which could include representatives from the Council as well as company employees) and be accountable to the Council and the company through contractual and Company governance arrangements.

The Council would have contractual arrangements with the Company and would be a 100% shareholder.

Based on discussions with other Councils, these arrangements would typically take 9 -12 months to establish. However, a transitional bedding-in period would be required (approximately 12 months) before significant improvements would start to be achieved. The cost of set up, based on

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discussions with recently established similar organisations, could be in the region of £500,000 however this is likely to be a significantly greater figure if a large number of services are involved.

Examples of Councils that have Established Wholly Owned 'Teckal' Companies

- Cheshire East Council – set up ANSA Environmental Services Ltd in April 2014 to deliver its waste, street cleansing, grounds maintenance and fleet management services with a savings target of 10% over the first 5 years of operation. Recent reports suggest that ANSA is on track to deliver the agreed £1,300,000 level of saving for the first year of operation.
- Cheltenham Borough Council and Cotswold District Councils – set up Ubico Ltd in 2012 to deliver their waste, cleansing, grounds maintenance and fleet management/maintenance operations. In the first 2 years of operation the Company has delivered £2,500,000 in savings and is forecast to deliver £5,000,000 over the first 5 years of operation.
- Cornwall Council – In 2012 the Council's Neighbourhood Services were transferred to Cormac Solutions Ltd and Cormac Contracting Ltd both of which were newly formed Wholly Owned Companies. These companies have proceeded to deliver highways maintenance, highway design, grounds maintenance, property services, cleaning and caretaking, fleet management/maintenance and quarry services both for the Council and for tendered work from clients. Cormac has been successful in its initial years of operation making efficiency improvements, investing in the services/workforce and increasing income levels. In 2013/14 Cormac was able to return a £6,000,000 dividend back to the Council after 2 years of operation.
- Norfolk County Council – established Norse Group Ltd which now comprises three subsidiaries: NPS Group Ltd, Norse Commercial Services Ltd and Norsecare Ltd. These subsidiary companies have separately established a number of Joint Ventures with other Council's across the UK.

2.8.4 Establishment of a Corporate Joint Venture with another Public Sector Organisation

Brief Description of Model

Under this model, the Services in scope would be delivered by a Company setup by the Council and another Public Sector Organisation, typically by using powers under Section 95 of the Local Government Act 2003.

The Company would have an independent board (comprising representatives from Council and the Joint Venture partner) and be accountable to the Council and Joint Venture partner through contractual and Company governance arrangements.

The Council would have contractual arrangements with the Company and there would be shareholder or partnership agreements with Joint Venture partner.

The soft market testing undertaken indicated that there are other public sector based organisations in the market place that would be interested in partnering with Cardiff Council to deliver the services within scope.

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As the model remains wholly within the realms of the Public Sector, the Company established will satisfy the provisions of the “Teckal exemption” subject to the criteria stated in the previous section being satisfied thereby allowing the Council to ‘passport’ work to the company without following a formal procurement process.

If the Teckal” exemption criteria are satisfied, the Company could benefit from trading with the private sector in respect of function related activities for a profit and enter into commercial contracts. However, the cumulative value of these contracts can not exceed 20% of its turnover if the ‘Teckal’ criteria are to be satisfied. Profits generated from this activity would then be passed back to the Council as a rebate or dividend, through profit share arrangements with the Joint Venture Company (profit share arrangements are subject to negotiation but tend to be 50:50).

The Council’s employees would transfer to the new company through the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) meaning that their existing Terms and Conditions would be protected. However, as with other models, the non-contractual elements of employment within the Joint Venture Company model could be subject to changes aimed at improving performance and service delivery.

Risks associated with improved performance, redesign of service delivery and more commercial activity would be shared with the Joint Venture partner. A suitable partner would also provide access to external expertise and resources that might be required to ensure that the Company addresses its budget and key service delivery challenges.

Examples of Other Councils that have Established a Corporate Joint Venture with Another Public Sector Organisation

Norse Commercial Services (part of the Norse Group, which is wholly owned by Norfolk County Council) is an example of a public organisation that has entered into joint ventures with over 20 other Councils. Examples of Councils it has formed joint ventures with include:

- Newport City Council formed Newport Norse in 2014 for the delivery of Property, Cleaning and Facilities Management Services. A ten year contract has been signed with Norse worth £73 million and the initial business case identified a potential £1.3 million saving over the first five years of the contract.
- Waveney District Council formed Waveney Norse in 2008 for the delivery of a range of services including Waste Collection, Street Cleansing, Grounds Maintenance, Fleet Management and Car Parking. A fifteen year contract was signed with Norse and representatives of Waveney Council estimate that £2.25 million savings have been generated since 2008/9 and £250k worth of savings had been forecast for 2014/15.
- Borough Council of Wellingborough formed Wellingborough Norse in 2012 for the delivery of a range of services including waste collection, street cleansing, parks and cemetery maintenance, civic building facilities management and public toilets. A ten year contract was signed with Norse worth £50 million and was profiled to deliver a saving of £2.4 million over the first five years.

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Cormac Ltd is currently in discussion with Nottingham Council regarding the establishment of a Public Sector Joint Venture to manage and deliver the Council's highway services.

2.8.5 Establishment of a Corporate Joint Venture with a Private Sector Organisation

Brief Description of Model

Here, the services in scope would be delivered by a Company setup by the Council and a Private Sector Organisation, typically by using powers under Section 95 of the Local Government Act 2003.

The Company would have an independent board (comprising representatives from Council and the Joint Venture partner) and be accountable to the Council and Joint Venture partner through contractual and Company governance arrangements.

The Council would have contractual arrangements with the Company and there would be shareholder or partnership agreements with the Joint Venture partner.

A formal procurement process would need to be compliant with the Council's tendering rules, and the subsequent Joint Venture Agreement would need to include the agreed terms and conditions of contract, a specification setting out the services included, financial arrangements, and standards required. If the competitive dialogue procurement process was followed, the procurement could take 18 – 24 months (but shorter if using restricted or open procedure which may be applicable for simple competition on delivery of specified services) and be relatively expensive with the Council being responsible for these costs. The soft market testing undertaken indicated that there are commercial organisations in the market place that would be interested in tendering for the delivery of services within scope as Joint Venture partner with the Council.

As the model has a Private Sector partner, the Company established would not satisfy the conditions for "Teckal exemption". Therefore the Private Sector partner would need to be procured and awarded the contract to carry out the services as part of a procurement exercise. This model however does not limit the amount of trading that the company can do in external markets.

Any profits generated by the company would then be passed back to the Council as a rebate or dividend, through profit or super profit share arrangements with the Joint Venture Company. Profit share levels tend to be 50:50 but can be different depending on the amount of resource and investment each party has contributed and would be subject to negotiation.

The Council's employees would transfer to the new company through the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) meaning that their existing Terms and Conditions would be protected. However, harmonisation opportunities might arise through employees choosing to adopt the partners Terms and Conditions or if employees take on new roles. Also, as with other models, the non-contractual elements of employment within the Joint Venture Company model could be subject to changes aimed at improving performance and service delivery.

Risks associated with improved performance, redesign of service delivery and more commercial activity would be shared with the Joint Venture partner. If a suitable partner is secured then the

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Council would also have access to external expertise and resources that might be required to ensure that the Company addresses its budget and key service delivery challenges.

The Council's ability to vary the budget provided to the JV on an annual basis would be built into the services agreement. As the Council would be a partner to the company and not the whole owner, its control over the company and ability to 'flex' its requirements would be less than if it wholly owned the company.

Examples of Councils that have set up a Corporate Joint Venture with a Private Sector Organisation

- London Borough of Barnet has established the Regional Enterprise Ltd joint venture with Capita plc in 2013. The partnership is responsible for the delivery of development and regulatory services including building control, highways services and cemetery/crematorium services. The partnership is guaranteed to deliver £39 million benefit to the Council through income and savings over the 10 year contact length.
- London Borough of Harlow Council entered into a joint venture with Kier in 2007 to deliver Building Maintenance and Environmental services. In the first 2 years of the contract cashable savings of £3.2 million were realised, with total savings of an estimated £12.8 million over the initial seven year contract. In 2012 the joint venture partnership with Kier was extended for a further 5 years until 2017 where an estimated £4.41 million will be saved.
- Amey established a joint venture with North Lanarkshire Council in 2000 to deliver road, lighting and winter services. The partnership was renewed in 2010 and since it started in 2000, £10 million has been returned to the Council in dividends.

2.8.6 Outsourcing

Brief Description of Model

This model would involve the Council contracting the delivery of the services to another (usually private) organisation whilst retaining overall ownership and ultimate responsibility for the delivery of the services. The contracted organisation (Contractor) would deliver services to the Council in accordance with appropriate specifications identified within a commercial contract.

A formal procurement process would need to be compliant with the Council's tendering rules, and any arrangement entered into with a contractor would be subject to the Council's terms and conditions of contract, including a specification setting out the services included, financial arrangements, and standards required. If the competitive dialogue procurement process was followed, the procurement could take 12 – 18 months (but shorter if using restricted or open procedure which may be applicable for simple competition on delivery of specified services) and be relatively expensive with the Council being responsible for these costs. The soft market testing undertaken indicated that there are commercial organisations in the market place that would be interested in tendering for the delivery of services within scope.

The Council's employees would transfer to the new company through the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) meaning that their existing Terms and Conditions

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would be protected. However, as with other models, the non-contractual elements of employment within the Joint Venture Company model could be subject to changes aimed at improving performance and service delivery.

On employee transfer to the commercial sector the Council's legal and HR responsibility ceases on the transfer date, as long as all liabilities have been discussed and disclosed between the parties to the transfer.

The HR principles are common to all options involving employee transfer to an external body:

- Where services are transferred to an external body, employees will normally transfer to that body under TUPE - Transfer of Undertakings (Protection of Employment) regulations.
- Where the transfer is to a commercial organisation additional TUPE requirements need to be met under the Code of Practice on Workforce Matters.
- One of the key principles of the code of practice is that any external body should be able to demonstrate the ability to provide conditions of service, which are not less favourable than those provided by the Council.
- Where employees transfer to a new employer under TUPE, the new employer must either provide a "broadly comparable pension scheme" or apply to join the Local Government Pension Scheme (LGPS) as an "Admitted Body".

Examples of Council's that have Outsourced Infrastructure Type Services

- Epping Forest District Council – In 2014 Biffa Ltd were awarded a 10 year contract worth £50 million for recycling, refuse collection and street cleansing. This contract is expected to deliver the Council a £400k saving per annum when compared to their previous contract.
- Oxfordshire County Council – in 2012, Carillion was awarded a 10-year contract for the provision of property and facilities management services worth up to £500 million. The reported savings to the Council are £550,000 per annum.
- North Tyneside Council – in 2012 awarded a 15 year contract worth £152 million to Capita Symonds for the delivery of highways engineering, traffic and transportation planning, properties and facilities management, planning and building control and environmental health services. When the contract was signed it was estimated that Capita Symonds would be able to provide at least £41 million in savings to the Council.

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2.9 Evaluation of Alternative Delivery Models

2.9.1 Introduction

A simple but robust process has been developed for the appraisal of the alternative delivery models. It comprises:

- the application of a corporate evaluation methodology;
- a high level financial analysis, and
- the consideration of a number of other key factors.

The options appraisal process is set out in sections 2.9.2 to 2.9.4 below.

2.9.2 Corporate Evaluation Methodology

2.9.2.1 To assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model Evaluation Methodology has been developed by its Commissioning and Procurement Service. This methodology has been approved by the Project Enablers and Commissioning Programme Board and reviewed by Informal Cabinet and the Council's Policy Review and Performance Scrutiny Committee. It, together with the other elements of the options appraisal, has also been subject to external challenge and review by Local Partnerships and subject to detailed consultation with the Trade Unions. A summary of the process and its application to this project is provided in sub-sections 2.9.2.2 to 2.9.2.6 below.

2.9.2.2 The evaluation methodology involves three key elements:

- scoring each alternative delivery model against eight evaluation criteria;
- the allocation, by each service, of weightings (of a cumulative value of 100) reflecting their relative priorities against the eight evaluation criteria, and
- multiplying the "model scores" against the "service area weightings" to determine the weighted score for each model for each service.

2.9.2.3 The eight criteria, which link to the high level Organisation Development objectives referred to in paragraph 1.3 above, are detailed in Table 2 below:

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Table 2: Alternative Delivery Model Evaluation Criteria

Organisation Development Objective	Criteria Ref	Question Asked When Assigning Weighting to Service	Question Asked When Assigning Model Score
		How Important is that the chosen model for the service delivery will allow the Council...	How able is the model to...
Reducing Operating Costs	1	... to transfer risk in respect of cost reductions	... transfer risk for achieving cost savings away from the Council?
	2	... to exploit income opportunities for its benefit	... exploit income generation opportunities for the Council's benefit?
Improved Customer Satisfaction and Demand Management	3	... to maintain influence and control over day to day decision making	... maintain influence and control over day to day decision making?
	4	... flexibility to change service scope and delivery specifications in future years	... easily change service scope and delivery specifications in future years?
Improved Outcomes and Performance	5	... to transfer risk in respect of operational performance	... transfer risk in respect of operational performance?
	6	... to transfer risk in respect of repaying financial investment (if required)	... transfer risk in respect of repaying financial investment (if required)?
	7	... to transfer the risk to improve service delivery performance and increase capacity	... transfer the risk to improve service delivery performance and increase capacity?
Design and Delivery	8	... to realise benefits within the short term.	... realise benefits in the short term?

2.9.2.4 The scoring of each alternative delivery model against the eight evaluation criteria was completed by the Project Team, subject to challenge by Local Partnerships, and approved by the Project Enablers and Commissioning Board. The model scores are included in Appendix 2 – Output from the Corporate Evaluation Methodology.

2.9.2.5 The allocation of weightings (of a cumulative value of 100) according to the priorities for each service against the eight evaluation criteria was initially undertaken by the relevant Operational Managers and then subject to challenge by the Directors, Union Representatives and also externally by Local Partnerships. These weightings are included in Appendix 2 – Output from the Corporate Evaluation Methodology.

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2.9.2.6 The weighted scores for each alternative delivery model for each service in scope, determined by multiplying the models scores by the services area weightings for each criterion are reported in Appendix 2 – Output from the Corporate Evaluation Methodology. A summary is provided in Table 3below:

Table 3 – Alternative Delivery Models scores for each Service (Based on Evaluation Matrix Methodology Only)

Directorate	Service Area	First	Second	Third	Forth	Fifth
Environment	Waste Collection	Pub/Pub JV (375)	Pub/Priv JV (365)	Out (330)	WOC (315)	MIH (305)
	Street Cleansing	Pub/Pub JV (375)	Pub/Priv JV (365)	Out (330)	WOC (315)	MIH (305)
	Waste Education and Enforcement	Pub/Pub JV (367)	Pub/Priv JV (351)	MIH (331)	WOC (327)	Out (313)
	Waste Treatment and Disposal	Pub/Pub JV (385)	Pub/Priv JV (365)	WOC (325)	MIH (325)	Out (315)
	Pest Control	Pub/Pub JV (395)	MIH (385)	WOC (370)	Pub/Priv JV (370)	Out (255)
Strategic Planning, Highways, Traffic and Transport	Highway Operations	Pub/Pub JV (365)	Pub/Priv JV (345)	MIH (340)	WOC (320)	Out (320)
	Highways Asset Management	MIH (400)	Pub/Pub JV (365)	WOC (355)	Pub/Priv JV (330)	Out (275)
	Infrastructure Design and Construction	Pub/Pub JV (400)	Pub/Priv JV (395)	WOC (330)	Out (310)	MIH (295)
Sport Leisure and Culture	Parks Management and Development	Pub/Priv JV (395)	Pub/Pub JV (390)	Out (375)	WOC (305)	MIH (275)
Resources	Central Transport Service	Pub/Pub JV (390)	Pub/Priv JV (385)	Out (330)	WOC (315)	MIH (285)
	Soft Facilities Management - Cleaning (non schools)	Pub/Pub JV (385)	Pub/Priv JV (380)	Out (330)	WOC (320)	MIH (300)
	Soft Facilities Management - Security and Portering	Pub/Pub JV (380)	MIH (360)	Pub/Priv JV (350)	WOC (340)	Out (270)
	Hard Facilities Management	Pub/Priv JV (395)	Pub/Pub JV (390)	Out (355)	WOC (310)	MIH (275)
Economic Development	Projects Design and Development	MIH (410)	WOC (400)	Pub/Pub JV (400)	Pub/Priv JV (370)	Out (230)

Model Key	
Modified In-House	MIH
Wholly Owned Company	WOC
Public/Public Joint Venture	Pub/Pub JV
Public/Private Joint Venture	Pub/Priv JV
Outsourcing	OUT

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2.9.3 High Level Financial Analysis

In order to undertake the high level financial analysis, it was necessary to make a number of assumptions regarding each model. These assumptions were informed from evidence obtained from the Soft Market Testing exercise (as summarised in Appendix 6 – Soft Market Testing summary) , in particular the one to one meetings with potential bidders, and from further direct conversations with relevant organisations including as part of the Scrutiny Task and Finish Group site visits. In addition they have also been the subject of further discussions with Local Partnerships.

Nevertheless, as with all financial modelling, there is an inherent risk with the assumptions made that should also be tested. The results derived from the model were therefore used as part of the package of evaluation tools and not the sole determinant of the preferred model. The assumptions relate to the following factors:

- Implementation timescale;
- Efficiency savings;
- Income generation;
- Overheads;
- Company related costs;
- Procurement and Implementation costs;
- Client Management costs;
- Taxation, and
- Reductions to Council Support Services.

Information regarding the assumptions made in respect of each of the above headings is enclosed in Appendix 3 – High Level Financial Analysis.

The models were evaluated over a 12 year period to allow for a 2 year procurement / mobilisation period and a 10 year operational period, commensurate with the contract period which would be typical of the Joint Venture and outsourcing arrangements.

For the modified in-house model, the saving assumptions are derived from the savings plans prepared by the Operational Managers for the 3 year MTFP period commencing in 2015/16, pursuant to the Service Improvement Plans. For 2015/16, the additional savings over the agreed 2015/16 budget proposals were captured. A summary of the savings proposed for each service over this 3 year period for the categories identified below is provided in Table 4 below.

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Table 4: Summary of In-house Savings for period 2015/16 to 2017/18

	Directorate	Pay Enhancements / Working Practices	Policy Change Enablers	Income	TOTAL
Service	£'000	£'000	£'000	£'000	£'000
Waste Collection	31	729	224	40	1,024
Street Cleansing	0	258	44	0	302
Waste Education & Enforcement	90	15	0	0	105
Waste Treatment & Disposal	150	63	0	5	218
Pest Control	0	0	10	20	30
Highway Operations	1471	99	100	26	1,696
Highways Asset Management	20	0	0	0	20
Infrastructure Design & Construction	52	8	0	0	60
Parks	25	126	0	0	151
Central Transport Service	75	25	0	105	205
Cleaning non-schools,	10	20	0	70	100
Security and portering	0	120	0	0	120
Hard Facilities Management (excluding Housing)	0	0	0	0	0
Projects Design & Development	5	17	0	0	22
TOTAL ADM	1,929	1,480	378	266	4,053

It can be seen from this table that the In-House savings have been identified within the categories of:

- ‘Directorate’ – that is, saving proposals unique to the services within scope (for example improving productivity of operational teams);
- ‘Working practices’ and ‘Pay Enhancements’ - that is, savings arising from changes to current working practices that adversely affect work productivities and efficiencies as well as that is savings arising from changes to the current pay enhancements. For legislative reasons, the changes to Pay enhancements would affect all Council employees and not just those within scope of this project;
- ‘Policy Change Enablers (that is, changes to some existing Council policies, for example, the Attendance and Wellbeing Policy), and

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- ‘Income’ – that is, growth of existing income streams and/or income from new trading activities. The amounts identified in the above table refer to the surplus arising from the trading activities (that is income minus costs).

It is important to emphasise that the total value of savings identified in Table 2 were identified as opportunities in the Councils Medium term financial Plan 2015/16-2017/18 as part of the Budget setting for 2015/16. The proposed Budget Strategy for 2016/17 (subject of a separate report), reflects this over the period covered. Therefore this alternative delivery model is a means to securing those benefits projected. It should also be noted that as the Budget Strategy evolves the services in scope may be subject to other budget reductions including those linked to reductions in service. The detail of which will be subject to full negotiation with staff and Trade Unions as part of the Full Business Case stage and subject to approval of the recommendations of this report.

It should be noted that in the high level financial analysis, it has been assumed that the In-House saving proposals would also be fully implemented for the Wholly Owned Company alternative delivery model.

A summary of the high level financial analysis is included in the table below which sets out the projected net savings over current costs both in cash benefit and Net Present Value (NPV) terms over the 12 year evaluation period for each of the models. Further details of the assumptions underpinning the financial projections for each of the alternative delivery models are provided in Appendix 3 – High Level Financial Analysis.

Table 5: Summary Financial Appraisal over a 12 year period

Model	Cash benefit		NPV benefit	
	£m	Rank	£m	Rank
Modified In-house	12.524	4	10.513	4
Wholly Owned Company (Teckal)	17.089	1	14.394	1
Public Public Joint Venture	14.617	3	12.296	3
Public Private Joint Venture	15.088	2	12.455	2
Outsource	11.964	5	10.463	5

Based on the analysis undertaken, the Wholly Owned Arms-length Company model is projected to achieve the greatest financial benefit to the Council over the evaluation period.

Sensitivity Analysis

The paragraphs above have highlighted the number of assumptions that have been used in the construction of the summary financial model. To model the impact of changing some of these assumptions a number of different scenarios and combination of scenarios have been run. The results of this sensitivity analysis are included in Appendix 4 – Financial Sensitivity Analysis with a summary being provided in Table 6 below:

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Table 6: Sensitivity Analysis – Summary of Results

SENSITIVITY	Highest Ranking	NPV Benefit
	Model	£000's
BASE CASE	WOC	14.394
1. External Partner : Efficiency increase of 10%	WOC	14.394
2. External Partner : Turnover increase of 10%	WOC	14.394
3. In-house / WOC : Reduce efficiency savings by 25%	Private JV	12.455
4. In-house / WOC : Reduce efficiency savings by 50%	Private JV	12.455
5. External Partner : Reduction in Overhead to 3.5%	WOC	14.394
6. In-house / WOC : Implementation Costs increase of 100%	WOC	13.944
7. Combination of 1,2,3,5 and 6	Private JV	15.145
8. Combination of 1,2,4,5 and 6	Private JV	15.145
9. Combination of 1,2,5 and 6	Private JV	15.145
10. Combination of 1,2 and 5	Private JV	15.145

The conclusion from Table 6 above is that with most of the single variable scenarios the Wholly Owned Company model is still the best option in terms of the delivery of projected savings to the Council over the evaluation period. There are however a number of scenarios in which the Wholly Owned Company model is displaced as the best option by the Public Private JV model. Of these scenarios the non-achievement of in-house (and by implication the Wholly Owned Company) savings are the most significant assumption.

As part of the high level financial analysis work undertaken, an assessment of the income currently earned by the services in scope was also completed. In summary, for the 2015/16 financial period, of the c. £72.8m gross budget, the total income budget is c. £43.7m (c. 60%) comprising internal income, grants, external income, and 'other (e.g. income from the Housing Revenue Account and Harbour Authority). The value of external income budgeted is c. £8m (c. 11%).

2.9.4 Other Factors

The options appraisal also considered the following other factors for each alternative delivery model:

- commercialisation opportunities;
- implementation period;
- contract period (where applicable);
- extent that the model has been adopted by other Council's for the services in scope;
- impact upon the employment status of employees, organisation governance;
- organisational governance;
- client management;

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- political support;
- union support;
- Cardiff residents support;
- Financial and contractual flexibility;
- Strategic control, and
- Flexibility for Collaboration agenda and other Council engagement for services

The Political and Union support was determined through dialogue with the Council’s Cabinet and Trade Unions respectively during the latter stages of the preparation of this Outline Business Case. The Cardiff residents support was determined through the Cardiff Debate consultation and engagement process undertaken in November 2014/January 2015, the results from which were included with the 2015/16 budget report approved by Cabinet on 26th February 2015. See Appendix 7 – ‘Changes for Cardiff’ 2015/16 Budget Consultation: Questions and Responses.

A high level summary of these factors is shown in Table 7 below. A more detailed summary is included in Appendix 5- Summary of ‘Other Factors’ Considered in Assessment of Alternative Delivery Models.

Table 7 - High Level Summary of ‘Other Factors’ considered in Assessment of the Alternative Delivery Models

	Modified In-House	Wholly Owned Company with Teckal Exemption	Corporate Public JV with Teckal Exemption	Corporate Private JV	Outsourcing to a private operator
Commercialisation Opportunities	Limited by statute and ability to make a surplus/profit	Limited to 20% of turnover of Company activities	Limited to 20% of turnover from JV Company activities. JV partner would provide commercial expertise. Profit would be shared.	Unlimited. Profit would be shared	Unlimited. However, sharing of benefits would have to be contracted.
Implementation Time	Min 9 months timescale for full implementation	9-12 months implementation timescale	12 - 18 months implementation timescale	18-24 months implementation timescale	18-24 months implementation timescale
Indicative Contract Period (if applicable)	Not applicable but performance would need to be regularly reviewed	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)	7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)

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Extent Adopted by Other Councils	Numerous examples of such service provision across all service areas	Recent examples in respect of environmental services	Numerous examples in respect of most services except highways but limited Public companies offering JV's for services in scope	Numerous examples for services in scope	Numerous examples for services in scope
Impact upon employee employment status	No change to employment status	Council employees would transfer under TUPE	Council employees would transfer under TUPE	Council employees would transfer under TUPE	Council employees would transfer under TUPE)
Organisation Governance	Current Governance and democratic accountability arrangements would continue	Through company Board typically comprising Council Members/Senior Officers, and Company Senior Employees and Commercially experienced Non Executive Directors	Through JV Board typically comprising Council Members/Senior Officers (likely to be in minority) and JV Partner Senior Employees	Through JV Board typically comprising Council Members/Senior Officers (likely to be in minority) and JV Partner Senior Employees	Through relevant provisions within the agreed contract
Client Management	No change	Proportionate client role require	Enhanced client role required	Enhanced client role required	Full client role required
Political Support	High	High	Medium	Low	Low
Union Support	High	Medium	Low	Low	Low
Cardiff Residents Support	Preferred Model	Second Preferred Model	Third Preferred Model	Fourth Preferred Model	Least Preferred Model
Financial and contractual flexibility	High	High	Medium	Medium	Low
Strategic Control	High	High	Medium	Medium	Low
Flexibility for Collaboration agenda and other Council engagement for services	Medium	High	Low	Low	Low

2.9.5 Discussion

2.9.5.1 The Corporate evaluation methodology which assesses appetite for risk and control will express the current stakeholder view according to the resources, commercialisation, technology and governance in place.

However, the Cabinet, on the basis of the high level financial analysis undertaken and discussions with Senior Management, is confident that the savings, growth in income and service delivery improvements identified by the Outline Business Case analysis can be delivered in a timely manner without the assistance of an external party, and consequently the associated risk of delivery of these is considered less than that suggested by the model.

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This is reliant on the necessary decisions being made and additional support to establishing a Wholly Owned Company or improved In-House model being embedded throughout the Full Business Case stage and beyond. It is essential that dedicated internal resources, strong governance, external commercialisation expertise and company set up expertise are established and maintained to ensure that the delivery of the benefits associated with the model are taken and driven through.

The high level financial analysis work undertaken indicates that the Wholly Owned Trading company model is most likely to deliver the greatest financial benefit for the Council. Overall, this model is considered the best opportunity for the Council going forward to:

- retain jobs in the local economy & jobs growth funds;
- offer the best opportunities to staff;
- maintain the public sector ethos;
- retain strategic control whilst allowing more autonomy for day to day delivery of services;
- provide good strategic fit with other ongoing Council Programmes (e.g. Organisation Development and Alarm Response Centre ARC);
- allow all benefits to be retained by Council
- allow establishment and transition between existing and continued In House Improvements smoothly;
- facilitate a faster development of a more commercialised culture and quality of services to residents;
- allow incentivisation of the new Team to drive the business forward, and;
- provide future opportunities for co-ownership or services with other Council's and public bodies.

2.9.5.3 In respect of other factors, key issues from a Cabinet perspective include: the required speed of delivery of change, more operating freedom in respect of governance, innovation, diversification and commercialisation, maintaining the support of key stakeholders and improved employee ownership and commitment (i.e. the John Lewis effect).

2.9.5.4 In conclusion, it is believed that the most appropriate future delivery model for the services within scope of the project is a Wholly Owned Company (Teckal). The key reasons for identifying this option as the suggested future delivery model include:

- Whilst the financial projections in this Outline Business Case are high level, these indicate that the Wholly Owned company is most likely to deliver the greatest financial benefit for the Council;
- The Wholly Owned Company can commence operation to allow the Council achieve financial benefits early in the 2016/17 period subject to the necessary implementation actions and identified cost saving decisions being taken;
- It will retain a public sector ethos and allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. As stated above, one of the reserved matters which could be set out in Council/Company

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contract, which will include a Service Based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to secure changes regarding budget and service delivery. This is seen to be an important factor by the Cabinet;

- It should facilitate the development of a more commercialised culture and improved quality of service delivery to residents. Progress made over the last year regarding work practice modernisation, multi-skilling and improvement of service delivery as evidenced by the Neighbourhood Services project, provides confidence that the required further improvements can be made within this preferred model of delivery;
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken. It is recognised that an injection of commercial expertise will be an important catalyst in respect of achieving sustainable income growth;
- It will ensure that all benefits are retained by the Council;
- It provides an opportunity to invest in and use industry standard systems and technology in the day to day management and delivery of services to suit the company's specific needs rather than the general needs of the Council
- Whilst the Trade Unions and employees have a preference for maintaining in-house provision, feedback provided from other council's that have established Wholly Owned Trading Companies, suggest that most employees will be motivated by the new culture created within the new organisation
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey;

2.9.5.5 Additionally,

- It will provide opportunity to incentivise the new Team to drive the new business forward;
- It will retain employee knowledge with the wider Council organisation;
- The anticipated commercial growth will assist in safeguarding jobs;
- It provides the potential to improve the management of risk and other Council financial liabilities, for example, highway related matters that lead to claims being made against the Council;
- It fits with the strategic objective of the Council of other ongoing Council Programmes (e.g. Organisation Development and Alarm Response Centre (ARC));

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- It provides future opportunities for co-ownership with other council's which is important in respect of the Assembly's current local government agenda, and
- It provides an appropriate strategic approach to achieving the required improvements, that is, if the key success criteria are not satisfied as determined through the ongoing Gateway Review Process, the necessary Company changes can be implemented or a new alternative delivery model adopted.

2.10 Recommendations for Full Business Case Analysis

2.10.1 It is recommended that a Full Business Case be undertaken for the Wholly Owned Company model. This will comprise a detailed analysis of the Wholly Owned Company model and the Modified In-house model as a Public Sector Comparator, culminating in the submission of a report to Council/Cabinet recommending which model should be implemented for the identified services in scope.

2.10.2 The completion of the Full Business Case will form part of the ongoing 'gateway process'. Similar to this Outline Business Case, the analysis will follow the Office of Government Commerce (OGC) "Five Case Model", the best practice standard recommended by the HM Treasury for use by Public Sector Bodies when evaluating public sector proposals.

2.10.3 At this Outline Business Case stage, it is assumed that a single Wholly Owned Company will be established for all the services within scope. However, this will be considered in more detail in the Full Business Case analysis.

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3. The Financial Case

3.1 Delivery of Operational Savings and Timescales for Realisation

- 3.1.1 A mobilisation period of one year has been assumed from the decision to proceed with the suggested option of a Cardiff Council Wholly Owned Company (WOC), operating under the Teckal exemption, to the Company becoming operational. This is to allow time for the necessary due diligence including but not limited to activities such as zero based budgeting, defining service specifications, defining volumetric data, recording asset and system registers, employee transfer considerations, undertaking market analysis. The one year mobilisation period also allows time for the preparation of the Full Business Case (FBC) and the Wholly Owned Company Business plan, as well as the subsequent preparation of the Contract between the Council and the Wholly Owned Company. As identified in paragraph 2.10, this assumes that a single Wholly Owned Company will be established for all the services in scope, however this will be further considered in detail within the Full Business Case
- 3.1.2 A key assumption with the Wholly Owned Company model is that it will achieve the same savings as the modified in-house option plus additional efficiency savings and income generation that derive from the behavioral/cultural impact of introducing a Wholly Owned Company and a more commercial approach. These assumptions are outlined in Chapter 2 – The Economic Case with more detail in Appendix 3 – High Level Financial Analysis. Efficiency Savings are assumed from Year 1 of the operation of the Company with income generation benefits commencing after a delay in year 2.
- 3.1.3 As outlined in 3.1.2 savings from the Wholly Owned Company option are dependent on the Council securing savings from the modified in-house option. In this context the savings from changes to employee policies and pay enhancements as well as productivity improvements from addressing existing custom and practice are especially significant to the success of the Wholly Owned Company.
- 3.1.4 Table 8 below provides an overview of how it is expected savings will be phased over time for both the Wholly Owned Company and the Modified In-House models.

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Table 8: Phasing of savings over 12 years for the Wholly Owned Company and Modified In-House models

	£000s	WOC			In-house		
		Yrs 1-3	Yrs 1-7	Yrs 1-12	Yrs 1-3	Yrs 1-7	Yrs 1-12
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
15/16 Gross Expend budget	72,789						
Savings							
Efficiency		(6,060)	(12,140)	(14,942)	(3,787)	(7,487)	(10,622)
Net income		(321)	(1,806)	(6,479)	(266)	(764)	(2,402)
Costs							
WOC costs		577	1,577	2,827	0	0	0
Implementation costs		900	900	900	500	500	500
Contract Management		110	330	605	0	0	0
NET SAVING		(4,793)	(11,139)	(17,089)	(3,553)	(7,751)	(12,524)
NET NPV		(4,532)	(10,047)	(14,394)	(3,386)	(7,015)	(10,513)

3.2 Implementation Costs

- 3.2.1 One advantage of the Wholly Owned Company option is that it avoids procurement or negotiation with a third party. However, as the Wholly Owned Company does not get the benefit of “buying-in” to an established group company structure with proven processes, infrastructure and investment / marketing strategies, significant implementation costs will be incurred. It is projected that implementation / set-up costs of £0.9m will be incurred prior to the Wholly Owned Company becoming operational, allowing for costs associated with potential new commercial IT systems, specialist professional advice – legal, pensions, taxation, etc. necessary in forming a stand-alone company – and other costs such as company branding. This is an area that will be further developed in the Full Business Case and the development of the Wholly Owned Company business plan.
- 3.2.2 The implementation costs associated with the Wholly Owned Company are not currently provided for in the Council’s budget. Resources will need to be identified for any costs falling in the 2015/16 financial year, for example from relevant reserves, and adequate provision identified in the 2016/17 Budget to finance these costs. This may include both revenue and capital resources.
- 3.2.3 The OBC does not include any costs associated from the Wholly Owned Company requiring a working capital loan from the Council as the assumption with regard to contract payments is that the Council will be invoiced in advance by the Wholly Owned Company. This is an arrangement that has been adopted by a number of other Wholly Owned Companies/Teckals. The Full Business Case will include consideration of the Payment Mechanism to be included in the Contract between the Wholly Owned Company and the Council which will determine if this proposed arrangement is appropriate. Full Business Case cash flow modelling will determine if any additional or replacement working capital facilities are required and the costs associated with them.

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3.3 Corporate Management Cost

- 3.3.1 The underlying assumption is that direct employees, including operational management, will be included as part of the TUPE transfer from the Council to the Wholly Owned Company (WOC). A key factor behind the success of the WOC will be the imbedding of a more customer focused, commercial approach to the delivery of the services. To facilitate this cultural and behavioural switch the Outline Business Case (OBC) financial projections include a provision for the recruitment of two commercially focused posts for the Managing Director and Business Development roles in the WOC, and the appointment of non-executive directors to the company's board.
- 3.3.2 As a contractual relationship will exist between the Council and the WOC the OBC financial projections also include an allowance for Client Management costs. This is assumed to be relatively "light touch" compared to the arrangements involving an external partner and has been informed by the experiences of other local authorities operating WOCs (Teckals). Further work will be undertaken during the FBC to develop a management structure for the company that is appropriate for the services in scope for this project and to include potential synergies with other organisational development projects being undertaken by the Council.
- 3.3.3 The WOC will be registered at Companies House, governed by articles of association and a Board of Directors, comprising executive and non-executive directors. Proposals for the structure of the Board of Directors will be developed in the Full Business Case and will reflect the need to achieve a balance between Council influence and flexibility for the company to drive efficiencies, growth and development.
- 3.3.4 The financial projections in the OBC includes an allowance of £250,000 per annum for the costs of non-executive directors and other corporate governance costs such as the audit fee as well as the cost of the Managing and Business Development Directors. The financial assumptions outlined above will be developed further in the FBC.

3.4 Accounting implications

- 3.4.1 The legal structure of the WOC will be as a limited company albeit wholly owned by the Council. As such the WOC will be outside the Council's current External Audit arrangements with the Wales Audit Office. The financial accounts of the WOC will be subject to Companies Act and appropriate Auditors will need to be appointed to undertake this audit.
- 3.4.2 As a 100% owned company the assets and liabilities of the WOC will be included in the Group accounts for Cardiff Council which would also include Cardiff Bus and the relevant share of Joint Committees.

3.5 Taxation Implications

- 3.5.1 The OBC financial projections assume that there is no additional tax liability for the Council from the move to a WOC. The WOC will charge VAT on the services it supplies to the Council who will recover the VAT as with any Third Party payment. The FBC will consider whether

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any services provided by the WOC would not be standard rated and whether there may be any irrecoverable VAT from the WOC perspective.

- 3.5.2 As a limited company any profits made by the WOC would be subject to Corporation Tax. In some instances WOCs have avoided this tax liability by offering “rebate” to their parent councils rather than by paying a dividend which would be subject to tax. The FBC will explore such matters in more detail. Specialist tax advice will be required in this regard.

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4. The Commercial Case

4.1 Commercial Arrangement for Delivery of Proposed Model

4.1.1 As previously identified, the key next step is the completion of a Full Business Case as part of the ongoing 'gateway process'.

4.1.2 The Full Business Case will need to consider, in particular, the following factors:

- The appropriate legal vehicle for the proposed trading company, for example, a company limited by shares or by guarantee;
- The proposed governance of the company, including possible options for the composition of the company Board;
- The proposed contractual arrangements between the Council and the proposed company, in particular, what company matters would be 'reserved' and require Council approval prior to implementation, and also performance management of the company;
- The proposed arrangements between the Council and the company regarding the provision of support services, for example, the provision of HR, Finance, Commissioning and Procurement, and ICT services;
- Opportunities for increasing external trading including potential clients and growth timescales;
- The scope of services to be transferred to the Company, and whether it would be appropriate to remove any services currently in scope, or parts thereof, and/or whether some other services should be included;
- Requirements in relation to the proposed transfer of employees to the new company in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended;
- Financial implications in respect of pensions, financing arrangements including working capital, day to day management of the Wholly Owned Trading company, and also taxation;
- The transfer of relevant assets, for example, relevant accommodation, vehicles and equipment, and
- The initial investment required to establish the proposed Wholly Owned Company. An initial estimate of £0.9M has been included within the High Level OBC Financial Analysis.

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- 4.1.3 It will be necessary for the Council to procure expert legal, financial and taxation advice on a number of the issues referred to in paragraph 4.1.2 above to ensure the satisfactory completion of the Full Business Case. In addition, similar to the process adopted for the Outline Business Case, it is also recommended that the Full Business Case be subject to appropriate independent review and robust external challenge
- 4.1.4 The estimated cost for the provision of the external advice as referred to paragraphs 4.1.3 is £175k.
- 4.1.5 Approval for the budget required for external assistance will be sought through the Investment Review Board which forms part of governance structure established as part of the Council's Organisational Development Programme.

4.2 Procurement Arrangements

- 4.2.1 As the suggested model of a Wholly Owned Company does not involve another organisation delivering, or assisting to deliver the services in scope, a procurement process does not need to be followed in order to implement the model. However, specific procurement processes will need to be followed in order to secure the external advice required for the Full Business Case, and also to procure further advice and equipment that is required to assist with establishing the model.

4.3 Payment Mechanisms

- 4.3.1 The payment mechanism(s) between the Council and the Company will be considered as part of the Full Business Case and thereafter set out in the contract(s) between the two organisations. In particular, consideration will need to be given to the invoicing requirements, frequency of invoicing/payment, and the authorisation process to be adopted by the Council including any performance management implications.

4.4 Management of Risk

- 4.4.1 A fully detailed risk register was prepared by the Project Team at the outset of the project and this has been reviewed on a regular basis as the project has commenced. Full details of these risks can be found on the Council's Programme and Project Database. Risks will continue to be identified and reviewed during the completion of the Full Business Case and beyond.
- 4.4.2 The key risks in relation to the production of the Full Business Case are shown in Table 9 below.

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Table 9: Key Risks in relation to the Full Business Case

Risk Description	Risk Assessment Information				Risk Response Information				
	Risk Type	Proximity	Likelihood	Consequence	Inherent Risk	Likelihood	Consequence	Residual Risk	Future Action Required
Project is not managed well resulting in slippage of timeframes due to ineffective marshalling of resources and uncertainty	Communication, Resource	No Time Period	C	2	Medium/High Priority	C	3	Medium/Low Priority	Ensure that regular project team meetings take place to keep project on track. Prioritise project tasks based on resource made available to the project
There is a risk that the Council and/or project team lacks the skill and capacity to identify and implement the suggested new model(s) and therefore the project would not be able to deliver against its objective	Resource	No Time Period	B	3	Medium/High Priority	C	4	Low Priority	Assess if there are any gaps in knowledge/skill across the project team and identify how any gaps in knowledge/skill can be addressed. Ensure full resourcing and specific advice is provided. Ensure sufficient levels of challenge and advice are sought from outside of the project.
A lack of cabinet support for the investigation and adoption of a new approach to service delivery could delay and undermine the goals of the project	Communication, Stakeholders	< 3 Months	B	2	High Priority	C	3	Medium/Low Priority	Engage cabinet members at key stages of the project and ensure they are fully briefed in preparation for the sign off of any cabinet reports. Ensure that the project remains aligned to the objectives of the chief executives report from May 2014.

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A lack of member support for the investigation and adoption of a new approach to service delivery could delay and undermine the goals of the project.	Communication, Stakeholders	< 3 Months	C	2	Medium/High Priority	C	3	Medium/Low Priority	Engage members at key stages of the project and ensure they are fully briefed in preparation for the sign off of any cabinet reports. Ensure that the project remains aligned to the objectives of the chief executives report from May 2014.
Changes to the cabinet could take place during the project lifecycle and result in a loss of appetite for any proposed change to the model of service delivery.	Political	No Time Period	B	1	High Priority	C	1	Medium/High Priority	Ensure that there is continuous engagement and briefings with the cabinet, to maintain buy in for the project. Ensure OBC is based on appropriate evidence base, this is subject to external challenge and review (LP) and project updates are regularly provided to relevant Cabinet Members
Failure to put in place all correct authorisations/delegations resulting in unlawful decisions	Governance, Legal	No Time Period	C	1	Medium/High Priority	C	1	Medium/High Priority	Maintain input of corporate legal services for the project to ensure that project work and decisions are carried out in a lawful manner. Previous action owner is leaving the authority so new owner will need to be identified and appointed to project. Residual Risk level changed until this occurs.
Lack of clear governance structure and decision making processes which ensure efficient communication, proportionate decision making and accountability result in loss of direction or delays	Governance	No Time Period	C	2	Medium/High Priority	C	3	Medium/Low Priority	Adhere to PQA and democratic governance requirements, to ensure that communication around decision making and accountabilities are fully understood by all project team members and key stakeholders

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Changes in Council policy and objectives could undermine the aims and objectives of the project.	Political, Stakeholders, Strategic	No Time Period	C	2	Medium/High Priority	C	3	Medium/Low Priority	When any new policies or objectives are revealed, consider impact on the project and raise these at project meetings. Create appropriate risks and mitigating actions if and when discovered.
Industrial Disputes/Staffing disputes and disruption (eg staff leaving)	Communication, Stakeholders	< 3 Months	B	2	High Priority	C	3	Medium/Low Priority	Ensure stakeholder plan makes adequate provisions to engage and consult Trade Unions at regular intervals, and that they are kept up to date with the progress of the project to minimise the potential for industrial dispute.
Loss of project team members due to changes in staff or re-prioritisation of resources	Resource	No Time Period	C	2	Medium/High Priority	C	3	Medium/Low Priority	Escalate any loss of resource issues as soon as known, and request for suitably experienced resource to replace any lost project team resource utilising established governance routes.
Legal implications may not be fully understood and result in a preferred model being identified which is legally unable to deliver what is required.	Legal	No Time Period	C	1	Medium/High Priority	D	1	Medium/Low Priority	Maintain legal input at all stages of the project and seek external counsel as and when required.

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<p>Changes to the organisational structure of the Council could take place during the project lifecycle and result in loss of direction and delays to the project</p>	<p>Communication, Organisation, Stakeholders</p>	<p>No Time Period</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>Ensure that there is continuous engagement and briefings with the cabinet, directorates in scope and to the relevant governance boards to maintain buy in for the objectives of the project. Ensure that there are regular meetings between Directors for the services in scope, to maintain buy in and agreement for direction of project.</p>
<p>Interdependencies with other projects and service areas may not be fully understood in producing the Full Business Case, which would result in disjointed delivery of projects and the creation of further issues for the Council.</p>	<p>Governance</p>	<p>< 6 Months</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure key stakeholders are involved in project, and that Full Business Case receives challenge from these stakeholders as well as senior officers on the Reshaping and Enabling programme boards. Any conflicts will need to be raised and escalated to the appropriate boards to amend scope, briefs and other governance accordingly.</p>
<p>Demand from service areas out of scope may not be fully understood within the Full Business Case, resulting in incorrect specifications and contract agreements being produced which could be to the detriment of the Company or the Council.</p>	<p>Benefits, Governance, Reputation</p>	<p>< 6 Months</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure due diligence workstream is correctly resourced, and outputs from service areas are reviewed to minimise the risk of missed information regarding demand from internal departments.</p>

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<p>Impact of demand on services outside the scope of the project may not be fully considered within the Full Business Case, resulting in service areas outside of scope facing unexpected changes to their budgets, capacity etc.</p>	<p>Corporate Risk, Finance, Service Delivery</p>	<p>< 6 Months</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure due diligence exercise captures details of SLA's and demand on services outside the scope of the project. Ensure that these areas are kept informed on the project and that the corporate centre in particular is aware of the potential impacts on how they deliver services.</p>
<p>Service area resource time required to inform and produce the Full Business Case, could result in current levels of service delivery being compromised.</p>	<p>Reputation, Service Delivery</p>	<p>< 1 Months</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Ensure stakeholders are advised of resource requirements in advance so that service delivery can be planned accordingly. Ensure comms plan advises of potential impacts to current levels of service delivery.</p>
<p>Savings pressures for 2016/17 onwards could result in the new approach being rushed without clear consideration of the potential impacts or if other models may still be more appropriate.</p>	<p>Finance, Governance, Timescale</p>	<p>< 6 Months</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>2</p>	<p>Medium/High Priority</p>	<p>Ensure regular communication and engagement with key stakeholders to bring the appropriate levels of challenge. Utilise gateway review process effectively and ensure that the required sign offs are received.</p>
<p>Buy in from the Directorates in scope of the project including Directors, Managers and Staff could be lacking and result in delays in obtaining the information required to develop the Full Business Case.</p>	<p>Stakeholders</p>	<p>< 1 Months</p>	<p>B</p>	<p>2</p>	<p>High Priority</p>	<p>C</p>	<p>3</p>	<p>Medium/Low Priority</p>	<p>Employ thorough stakeholder management, backed up with a detailed communication plan. Ensure engagement is early and project progress is communicated at regular intervals.</p>

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Impact on existing income streams may not be fully understood, and result in a Full Business Case that is unable to maintain or exceed current income levels.	Finance, Governance	< 6 Months	C	2	Medium/High Priority	C	3	Medium/Low Priority	Ensure due diligence is thorough and makes suitable provisions to capture all income information. Ensure Full Business Case receives informed challenge regarding all financial information.
Some services/functions may not be appropriate for delivery by the model developed for the Full Business Case, and may need to retain in-house provision.	Scope Management, Service Delivery	< 6 Months	B	3	Medium/High Priority	D	3	Low Priority	Ensure that there is a thorough due diligence exercise and that a test is developed as part of the Full Business Case which will determine if all functions/services should be delivered by the identified model.
Modified in house models are not sufficiently mature enough to inform Cabinet when the Full Business Case is presented.	Governance, Resource, Stakeholders	< 6 Months	B	2	High Priority	C	3	Medium/Low Priority	Ensure that there is equal emphasis placed on development of in-house models and that an equal amount of resource time is allocated to these. Inform Directors and Managers of their responsibilities in this regard.
Lack of independent challenge at appropriate levels for the Full Business Case to ensure robustness, could result in time delays caused by further challenge from Key Stakeholders	Governance, Partnership, Stakeholders	< 1 Months	C	2	Medium/High Priority	D	3	Low Priority	Identify levels of external challenge required for the Full Business Case and ensure that there is available budget and approval to appoint appropriate bodies. Ensure that project plan timetables enough time to receive challenge at key stages of Full Business Case production.

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Full Business Case for preferred model might show that the required level of savings can not be achieved within the required timescale		Benefits, Finance		< 6 Months		High Priority		Medium/High Priority		Ensure that financial analysis and modelling within the Full Business Case is robust and subject to appropriate levels of internal and external challenge. If any potential shortfall is identified, escalate this accordingly so that it can be highlighted and taken into account as part of the Council's annual budget setting process.
				B	1		C	2		

Risks that relate specifically to the operation of a Wholly Owned Company and achievement of its operational objectives will be identified and presented as part of the Full Business Case process.

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5. The Management Case

5.1 Management and Governance of Implementation of the Suggested Model

5.1.1 The Infrastructure Services ADM will continue to be managed as a project within the Infrastructure and Neighbourhood Delivery workstream, which falls within the Reshaping Services Programme as part of the Council's Organisational Development Programme. This will ensure that the appropriate management and governance arrangements are maintained.

5.1.2 Alternatives for the management and governance of the proposed new Company will be considered as part of the Full Business Case for the project. These considerations will include the requirements for the 'client' management team which will remain within the main Council organisation.

5.2 Management and Governance of Impact on Other Council Areas and Support Services

5.2.1 The impact on other Council areas and support services will be an important consideration for the Full Business Case analysis in terms of the impact on employees, use of equipment and assets, and also delivery of services back to other Council services where applicable. Any potential adverse impacts identified will need to be assessed and appropriate mitigation measures established as far as it is reasonable and practical to do so.

5.3 Implementation Timescales

5.3.1 The proposed programme for the completion of the Full Business Case [Business Plan] analysis and establishment of the Company is included in Appendix 8 – Project Programme. The key milestones are as follows:

- Cabinet approval of the Outline Business Case – 16th July 2015
- Establishment of a Full Business Case Board - August 15
- Due Diligence – July to October 2015
- Full Business Case Consideration – August to October 2015
- Completion of Full Business Case and Business Plan – October to November 2015
- Cabinet approval of the Full Business Case and draft Business Plan – January 2016.
- New Company commences trading - First Quarter 2016/17

5.4 Stakeholder Engagement

5.4.1 At the outset of the project, the engagement of key stakeholders, including Members, Unions, employees and Cardiff residents, was identified as an important factor in the ultimate success of the project. A Stakeholder Engagement Plan was therefore developed and implemented at an early stage, and this has since been reviewed and updated on a regular basis. Members, Unions and Employees have been regularly updated as the project has progressed, particularly in the lead up to the Cabinet considering this Outline Business

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Case report. As reported in paragraph 2.9.4, Cardiff residents were consulted under the Cardiff Debate budget consultation process which was undertaken in December 2014/January 2015, and reported to Cabinet on 26th February 2015.

5.4.2 The Environmental and PRAP Scrutiny Committee's have also been important stakeholders through the completion of the Outline Business Case. The work undertaken by both the Task and Finish Group, comprising Members from these two Committee's, and Council Officers in completing the research, visits to other Councils leading to the preparation of the Task and Finish report is gratefully acknowledged.

5.4.3 The Stakeholder Engagement Plan will be updated for the next phase of this project and will set out how the key stakeholders will be provided with regular and timely updates as the project progresses.

5.5 Making the Recommendation a Success

5.5.1 In its publication 'Spreading their wings. Building a successful local authority trading company', based on its research, Grant Thornton identifies a number of key determinants to establishing a successful local authority trading company. The key issues identified include:

- the drive and ambition of the people running the business;
- establishment of the right culture within the company;
- positive support and commitment from the local authority, and
- for growth to occur, a focus on innovation, expansion into new markets, and diversification.

5.5.2 These important issues, and other factors identified in the report, will need to be priority issues for the Company, and also the Council, if it is to be successful. The need for additional knowledge and experience to assist with embedding the required commercial and high performance culture, and also achieving commercial growth, has been recognised. An allowance of £250,000 for the recruitment of a Commercial Director, Contracts Manager and other costs was included as set up costs for the Wholly Owned Trading Company in the high level financial analysis.

5.5.3 It is intended that the Full Business Case identify key success factors against which the performance of the Company will be measured on a quarterly basis. These regular reviews will assist in determining whether the Company is delivering against its objectives and, if not, whether further strategic action is required in respect of the services being delivered for the Council.

5.6 Project Team

5.6.1 It will be necessary to establish an internal Project Team to manage the completion of the Full Business Case. The precise resource requirements were being finalised at the time this Outline Business Case. However, in terms of function/skills set, the Team will need to include dedicated Project Management Resources, representatives from each service in

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scope, and also representatives from the Council's Corporate Service functions including: Finance; Human Resources; Legal; ICT; Corporate Communications and Commissioning and Procurement. The allocation of the required resources will be sought through the Investment Review Board.

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References:

Establishing a Programme of Organisational Change for the City of Cardiff Council. Report of the Chief Executive. Cabinet Meeting 15th May 2014.

Budget Strategy 2015/16 and The Medium Term. Report of the Corporate Services Director. 17th July 2014

Infrastructure Services - Alternative Delivery Models. Report of the Director Environment. Cabinet Meeting 20 November 2014

Budget Proposals 2015/16. Council Meeting. 26th February 2015

Cardiff Council. How Clean Are Your Streets ?2014/15. Local Environmental Audit and Management System (LEAMS) Report. Keep Wales Tidy. May 2014.

Spreading their wings. Building a successful local trading company. Grant Thornton. 2015

A Joint Report of the Environmental and Policy Review and Performance Scrutiny Committee's. Infrastructure Business and Alternative Delivery Options.

Appendices:

Appendix 1 – Organisational Development Structure

Appendix 2– Output from Corporate Evaluation Methodology

Appendix 3 – High Level Financial Analysis

Appendix 4 – Financial Sensitivity Analysis

Appendix 5 – Summary of 'Other Factors' Considered in Assessment of Alternative Delivery Models

Appendix 6 – Soft Market Testing Summary

Appendix 7 – 'Changes for Cardiff' 2015/16 Budget Consultation: Questions and Responses

Appendix 8 – Project Programme

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Appendix 1 – Organisational Development Structure

Programme RAG	PFD	SRO	PGM	Total Projects	5
Strategic Property Management - Operational Estate PEX: Neil Harrathy PM: EAP01	Christine Salter	Christine Salter	Christine Salter	3	5
Schools Organisation Plan PEX: Jamie Nightingale PM: EAP02	Christine Salter	Christine Salter	Christine Salter	3	5
Trading Company Model & Commercial Services Delivery Vehicle PEX: Shaun Jamieson PM: ECD01	Christine Salter	Christine Salter	Christine Salter	3	5
Corporate Commercialisation Strategy PEX: Chris Hesse PM: ECD02	Christine Salter	Christine Salter	Christine Salter	3	5
Phase 1 Commercial Services PEX: Isabelle Bignall PM: ECD03	Christine Salter	Christine Salter	Christine Salter	3	5
SAP Asset Management PEX: Matthew Seymour PM: EAP03	Christine Salter	Christine Salter	Christine Salter	3	5
Office Rationalisation PEX: Owen Holzinger PM: EAP05	Christine Salter	Christine Salter	Christine Salter	3	5
Performance Management PEX: Martin Hamilton PM: EPD01	Christine Salter	Christine Salter	Christine Salter	3	4
Workforce Planning & Employee Engagement PEX: Lyne David PM: EPD03	Christine Salter	Christine Salter	Christine Salter	3	4
Internal Communications PEX: Timothy Gordon PM: EPD04	Christine Salter	Christine Salter	Christine Salter	3	4
Improved Decision Making & Ethical Culture PEX: Kumi Anyadasa PM: EGV001	Christine Salter	Christine Salter	Christine Salter	3	4
Member Development & Engagement PEX: Gill Nulton PM: EGV002	Christine Salter	Christine Salter	Christine Salter	3	4
Improving Scrutiny PEX: Paul Keeping PM: EGV003	Christine Salter	Christine Salter	Christine Salter	3	4
Public Engagement & Communication PEX: Timothy Gordon PM: EGV005	Christine Salter	Christine Salter	Christine Salter	3	4
Culture and Leisure ADM PEX: Chris Hesse PM: ESC03	Christine Salter	Christine Salter	Christine Salter	3	3
Commissioning & Capability PEX: Steve Robinson PM: ESC05	Christine Salter	Christine Salter	Christine Salter	3	3
SAP Asset Management (Accounting) PEX: Anil Hirani PM: ESC06	Christine Salter	Christine Salter	Christine Salter	3	3
Online Services (CRM & Web) PEX: Isabelle Bignall PEX: Ross Maude PM: Alison Evans	Christine Salter	Christine Salter	Christine Salter	6	6
SharePoint (Doc Management) PEX: Ross Maude PM: Lisa Meredith	Christine Salter	Christine Salter	Christine Salter	6	6
Income Management PEX: Gary Watkins PM: David Butler	Christine Salter	Christine Salter	Christine Salter	6	6
Customer Services Strategy PEX: Isabelle Bignall PM: Isabelle Bignall	Christine Salter	Christine Salter	Christine Salter	6	6
Hub Delivery PEX: Jane Thomas PM: Rashmi Wilson	Christine Salter	Christine Salter	Christine Salter	6	6
Debt Management PEX: Beth Gillard PM: Beth Gillard	Christine Salter	Christine Salter	Christine Salter	6	6
Infrastructure-ADM PEX: Jane Forshaw PEX: David Lowe PM: David Lowe	Christine Salter	Christine Salter	Christine Salter	5	5
Neighbourhood Services Operations PEX: Tara King PM: Chris Stephens	Christine Salter	Christine Salter	Christine Salter	5	5
Neighbourhood Services Back Office PEX: Tara King PM: Claire Cuthbert	Christine Salter	Christine Salter	Christine Salter	5	5
Neighbourhood Services - City Wide Roll-Out PEX: Tara King PM: Tara King	Christine Salter	Christine Salter	Christine Salter	5	5
Neighbourhood - Commercial Services PEX: Tara King PM: Tara King	Christine Salter	Christine Salter	Christine Salter	5	5
First Point of Contact PEX: Jane Thomas PEX: Ruth Evans PM: Ruth Evans	Christine Salter	Christine Salter	Christine Salter	5	5
Accommodation & Support Strategy (Adults) PEX: Jane Thomas PM: Jane Thomas	Christine Salter	Christine Salter	Christine Salter	5	5
MW&S Health & Social Care - Reablement PEX: Susan Schelewa PM: Andrew Phillips	Christine Salter	Christine Salter	Christine Salter	5	5
Agile Mobile Working (Adults & Childrens Services) PEX: Susan Schelewa PEX: Ruth Evans PM: Ruth Evans	Christine Salter	Christine Salter	Christine Salter	5	5
Proof of Concept - Mobile Working for Social Care PEX: Jane Thomas PM: Beth Gillard	Christine Salter	Christine Salter	Christine Salter	5	5
Programme RAG	Christine Salter	Christine Salter	Christine Salter	5	5
RS - Assets & Property	Christine Salter	Christine Salter	Christine Salter	5	5
EC - Corporate Commercialisation	Christine Salter	Christine Salter	Christine Salter	3	3
EC - Engagement & Improvement	Christine Salter	Christine Salter	Christine Salter	3	3
EC - Governance and Member Engagement	Christine Salter	Christine Salter	Christine Salter	4	4
EC - Strategic Commissioning	Christine Salter	Christine Salter	Christine Salter	3	3
RS - Customer Focus & Enabling Technology	Christine Salter	Christine Salter	Christine Salter	6	6
RS - Infrastructure & Neighbourhood Delivery	Christine Salter	Christine Salter	Christine Salter	5	5
RS - Services for Vulnerable Adults	Christine Salter	Christine Salter	Christine Salter	5	5
RS - Services for Vulnerable Children	Christine Salter	Christine Salter	Christine Salter	7	7

Project Stage Key: Closing (Green), Delivery (Blue), On Hold (White), Planning/Initiation (Yellow), Pre Start Up (Dark Blue), Start Up (Pink), RAG Status Key: Green (Green), Amber/Green (Yellow), Red/Amber (Orange)

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Appendix 2 – Output from Corporate Evaluation Methodology

Evaluation Criteria

The evaluation criteria identified for the Corporate Evaluation Methodology are as follows, these have been assigned a number for reference within this appendix.

Organisation Development Objective	Criterion Reference Number	Criteria Description
		How Important is that the chosen model for the service delivery will allow the Council...
Reducing Operating Costs	1	... to transfer risk in respect of cost reductions
	2	... to exploit income opportunities for its benefit
Improved Customer Satisfaction and Demand Management	3	... to maintain influence and control over day to day decision making
	4	... flexibility to change service scope and delivery specifications in future years
Improved Outcomes and Performance	5	... to transfer risk in respect of operational performance
	6	... to transfer risk in respect of repaying financial investment (if required)
	7	... to transfer the risk to improve service delivery performance and increase capacity
Design and Delivery	8	... to realise benefits within the short term.

Model Scores

The five models in scope were scored from a value of 1-6 in relation to how far they satisfy each criterion description, with a score of 6 representing they satisfy the criterion to the greatest extent. A full breakdown of the model scoring pack and the scores assigned to each model can be found on the Council's CIS system under [Commissioning and Procurement/Procedures/Alternative Delivery Model \(ADM\)](#), the below represents a summary of the scores assigned to each model against each criterion.

Criteria Reference Number	Model Score (1-6)				
	Modified In-House	Wholly Owned Company	Public/Public Joint Venture	Public/Private Joint Venture	Outsourcing
1	1	2	4	5	6
2	3	4	5	5	2
3	6	4	3	2	1
4	6	5	4	3	2
5	1	2	3	4	5
6	1	1	4	4	6
7	1	3	4	5	5
8	4	3	3	2	2

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Service Area Weightings

The service areas in scope of the project were asked to weight each criterion in relation to their specific priorities within the MTFP and moving forward. Each service had to assign a score to each of the specified criteria, and the cumulative score across the eight criteria had to equate to a total of 100. The scores assigned to the eight criteria for each of the services in scope is detailed in the table below.

Directorate	Service Area	Criteria Reference Number							
		1	2	3	4	5	6	7	8
Environment	Waste Collection	15	15	10	10	5	5	15	25
	Street Cleansing	15	15	10	10	5	5	15	25
	Waste Education and Enforcement	15	13	11	15	10	1	10	25
	Waste Treatment and Disposal	10	20	10	15	5	10	10	20
	Pest Control	5	30	30	15	5	5	10	0
Strategic Planning, Highways, Traffic and Transport	Highway Operations	10	10	20	15	10	10	10	15
	Highways Asset Management	10	10	30	20	5	5	10	10
	Infrastructure Design and Construction	10	30	10	5	0	5	20	20
Sport Leisure and Culture	Parks Management and Development	20	15	5	15	5	10	15	15
Resources	Central Transport Service	5	25	5	10	10	10	15	20
	Soft Facilities Management - Cleaning (non schools)	15	20	10	10	5	5	15	20
	Soft Facilities Management - Security and Portering	10	25	20	10	5	5	5	20
	Hard Facilities Management	20	20	5	10	5	5	15	20
Economic Development	Projects Design and Development	0	30	30	20	0	0	20	0

Evaluation Methodology Output

The Output from the Corporate Evaluation methodology used a weighted score to determine what would be the recommended delivery model for each of the services in scope. The weighted score was achieved by multiplying the weighting of a criterion (as assigned by the service area) against the score each model achieved against that specific criterion.

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The weighted scores for each model against each criterion for each specific service area were then added together in order to indicate a preferred model, as evidenced by whichever model achieved the highest score.

The total weighted score for each service area in relation to each service in scope is shown in the table below.

Directorate	Service Area	Modified In House	Wholly Owned Company	Public/Public Joint Venture	Public/Private Joint Venture	Outsourcing
Environment	Waste Collection	305	315	375	365	330
	Street Cleansing	305	315	375	365	330
	Waste Education and Enforcement	331	327	367	351	313
	Waste Treatment and Disposal	325	325	385	365	315
	Pest Control	385	370	395	370	255
Strategic Planning, Highways, Traffic and Transport	Highway Operations	340	320	365	345	320
	Highways Asset Management	400	355	365	330	275
	Infrastructure Design and Construction	295	330	400	395	310
Sport Leisure and Culture	Parks Management and Development	275	305	390	395	375
Resources	Central Transport Service	285	315	390	385	330
	Soft Facilities Management - Cleaning (non schools)	300	320	385	380	330
	Soft Facilities Management - Security and Portering	360	340	380	350	270
	Hard Facilities Management	275	310	390	395	355
Economic Development	Projects Design and Development	410	400	400	370	230

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Appendix 3 – High Level Financial Analysis

	Modified In-house		Teckal		Public Public JV		Public Private JV		Outsource	
	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Model Savings										
Efficiency Savings	-7,487	-10,622	-12,140	-14,942	-14,658	-17,379	-14,681	-17,399	-16,192	-19,508
Net Income Generation	-764	-2,402	-1,806	-6,479	-1,831	-6,736	-1,867	-6,767	0	0
S-T : Model Savings	-8,251	-13,024	-13,946	-21,421	-16,489	-24,115	-16,547	-24,166	-16,192	-19,508
Model Costs										
Overheads	0	0	0	0	12,912	22,775	11,768	21,620	10,201	19,181
Company related costs			1,577	2,827						
Taxation	0	0	0	0	0	0	0	0	0	0
S-T : Model Costs	0	0	1,577	2,827	12,912	22,775	11,768	21,620	10,201	19,181
Council Costs										
Procurement costs	0	0	0	0	500	500	750	750	625	625
Implementation / set-up costs	500	500	900	900	100	100	100	100	100	100
Client Management costs	0	0	330	605	1,230	2,255	1,025	2,050	1,500	3,000
S-T : Council Costs	500	500	1,230	1,505	1,830	2,855	1,875	2,900	2,225	3,725
Council Savings										
Support Services					-8,450	-16,131	-7,681	-15,363	-7,681	-15,363
Net (saving) / cost	-7,751	-12,524	-11,139	-17,089	-10,197	-14,617	-10,586	-15,008	-11,447	-11,964
Net Present Value (NPV) - Real		-10,513		-14,394		-12,296		-12,455		-10,463

The assumptions made in relation to the High Level Financial Analysis are detailed in the text below:

Evaluation Period

12 years to include a 2 year implementation and 10 years typical for a JV contract.

Implementation Timescale

To cover period required for procurement / negotiation if required and mobilisation.

Modified In-house 0 years, WOC 1 year, Public JV 18 months, Private JV and Outsource 2 years

Efficiency Savings

In-house : Yrs 1–3 = 5.3% based on Service improvement Plans (SIP), Yrs 4-6 = 4.5%, Yrs 7-12 = 6%

WOC : Yrs 1-3 = 8.5%, Yrs 4-6 = 8.5%, Yrs 7-12 = 6%

Public JV : Yrs 1-3 = 8%, Yrs 4-6 = 12.5%, Yrs 7-12 = 6.5%

Private JV : Yrs 1-3 = 5%, Yrs 4-6 = 14%, Yrs 7-12 = 8%

Outsource : JV : Yrs 1-3 = 5.5%, Yrs 4-6 = 15.5%, Yrs 7-12 = 9.5%

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Net Income Generation

Focus on margin / profit and benefit to Cardiff after any assumed gain share arrangements for the JV models

In-house : Yrs 1–3 = 0.4% (based on SIP), Yrs 4-6 = 0.2%, Yrs 7-12 = 0.5%

WOC : Yrs 1-3 = 0.5%, Yrs 4-6 = 0.6%, Yrs 7-12 = 1.4%

Public JV : Yrs 1-3 = 0.1%, Yrs 4-6 = 0.8%, Yrs 7-12 = 1.5%

Private JV : Yrs 1-3 = 0.1%, Yrs 4-6 = 0.8%, Yrs 7-12 = 1.5%

Outsource : No income assumed

Overheads / Council Support Services

No change for In-house and wholly Owned Trading Company with assumption that continue to use Council Support Services .

For the JV models 3.8% assumed for the charge from the Partner to the JV with a reduction of c£1.5m assumed for Council Services based on an analysis of fixed and variable costs. Similar assumption for the Outsource Model but with a reduction of 0.5%

Wholly Owned Trading Company Management Costs

£250,000 pa assumed for costs of recruiting (1) MD with appropriate commercial skillset, (2) Business Development post & (3) incidental company costs e.g. Audit.

Procurement costs for ADM's with External Partner

£500,000 assumed for Public JV negotiations, £750,000 for Private JV & £625,000 for Outsource.

Implementation / set up costs

Both In-house and WOC models include some enabling investment with further provision for IT development and external advice for the WOC

The assumption used for In-house model is = £500,000 with £900,000 for the WOC

An assumption of £100,000 for external advice has been included for each of the , Public JV, Private JV & Outsource models

Client Contract Management costs

Increased costs assumed over the models to reflect the decreasing control of the Council in the delivery of the services in scope

No cost for In-house, £55,000 pa for WOC, £205,000 pa for both Public & Private JV models, £300,000 pa for Outsource

Taxation

No costs assumed – VAT fully recoverable, Corporation Tax mitigated by rebates instead of dividend but highlighted as area for further analysis in FBC

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Appendix 4 – Financial Sensitivity Analysis

Figures quoted are Net Present Values (NPVs), highest ranking model is shown in bold font

Scenario		In-house	Teckal	Public JV	Private JV	Outsource
		£'000s	£'000s	£'000s	£'000s	£'000s
	Base Case	-10,513	-14,394	-12,296	-12,455	-10,463
1	Public JV, Private JV & Outsource - Efficiency plus 5%	-10,513	-14,394	-13,092	-13,211	-11,366
2	Public JV, Private JV & Outsource - Additional Turnover plus 10%	-10,513	-14,394	-12,844	-13,005	-10,463
3	In-house / Teckal - discount savings by 25%	-8,378	-11,558	-12,296	-12,455	-10,463
4	In-house / Teckal - discount savings by 50%	-6,178	-8,588	-12,296	-12,455	-10,463
5	Public JV, Private JV & Outsource - reduction in Overheads to 3.5%	-10,513	-14,394	-13,770	-13,841	-11,875
6	50% increase in implementation costs - In-house / Teckal	-10,263	-13,944	-12,296	-12,455	-10,463
7	Combination of 1,2,3,5, & 6	-8,128	-11,108	-15,088	-15,145	-12,762
8	Combination of 1,2,4,5, & 6	-5,928	-8,138	-15,088	-15,145	-12,762
9	Combination of 1,2,5, & 6	-10,263	-13,944	-15,088	-15,145	-12,762
10	Combination of 1,2,& 5	-10,513	-14,394	-15,088	-15,145	-12,762

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Appendix 5 - Summary of 'Other Factors Considered in Assessment of Alternative Delivery Models

	Modified In-House	Wholly Owned Company with Teckal Exemption	Corporate Public JV with Teckal Exemption	Corporate Private JV	Outsourcing to a private operator
Commercialisation Opportunities	<p>The Council can trade under its various local government powers. Growth will be dependent upon a number of factors including:</p> <ul style="list-style-type: none"> market opportunities, competition, competitiveness of the Council, and entrepreneurial acumen of employees 	<p>The Council has the power to trade through a Company, under section 95 of the Local Government Act 2003 in respect of anything which the Council is authorised to do for any of its functions.</p> <p>Company can trade up to 20% of the value of the 'passported' work, without causing the company to lose the right to do 'passported' work (however there is potential to set up another trading company if threshold is likely to be breached).</p> <p>Company structure allows for the implementation of more dynamic corporate governance arrangements more suited to commercial activities, at arms-length from the Council..</p> <p>All profit would benefit the Council as the company's only shareholder.</p>	<p>The Council has the power to trade through a Company, under section 95 of the Local Government Act 2003 in respect of anything which the Council is authorised to do for any of its functions.</p> <p>Company can trade up to 20% of the value of the 'passported' work, without causing the company to lose the right to do 'passported' work (however there is potential to set up another trading company if threshold is likely to be breached).</p> <p>Theoretically, commercial opportunities would be greater than for a Wholly Owned Company as the JV company could trade across its part owners portfolio and also benefit from its experience.</p> <p>Profits (or losses) will be shared according to the shareholders agreement .</p>	<p>The Council has the power to trade through a Company as part of a public/private JV.</p> <p>The Company would not be limited on how much it could trade, hence commercialisation opportunities are increased, whilst also benefitting from private sector trading experience.</p> <p>Profits will be shared according to the shareholders agreement.</p>	<p>No limitations on trading, with private sector incentivised to maximise income/profits.</p> <p>Profits (or losses) would be retained by the private sector operator.</p> <p>However, there are possibilities to benefit from a contractor increasing profits from procured services, if a windfall profit sharing mechanism is built into the contract.</p>

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Implementation Time	<p>Based on In-house Improvements proposed for each service, changes will be implemented on a phased basis.</p> <p>Many of the identified savings will require changes at the Corporate level and these may take 9-12 months to implement and then up to a further 12 months for some benefits to be achieved.</p>	<p>9 – 12 months would be required to set up a wholly-owned company and commence service delivery through a Wholly Owned Trading Company based on advice from Cheshire East. Required changes need to be planned during implementation period so benefits can start to be realised in year 1.</p>	<p>12 - 18 months would be required to set up a corporate public-public joint venture and agree the responsibilities and liabilities of the JV partners based on advice from Norse and Cormac. . Required changes need to be planned during implementation period so benefits can start to be realised in year 1.</p>	<p>18 – 24 months would be required to procure a private sector joint venture partner , negotiate the responsibilities and liabilities of the JV partners and establish a corporate JV.</p>	<p>18 - 24 months, assuming that a competitive dialogue or new negotiated procurement would be required for any major service outsourcing.</p>
Indicative Contract Period (if applicable)	<p>Not applicable but performance would need to be regularly reviewed</p>	<p>7-10 years minimum dependant on the specific investment requirements of each service (or bundle)</p>	<p>7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)</p>	<p>7-10 years minimum, dependant on the specific investment requirements of each service (or bundle)</p>	<p>5-10 years minimum, dependant on the specific investment requirements of each service (or bundle)</p>

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Extent Adopted by Other Council's (and examples)	<p>*94% of Council's share a service with another Council.</p> <p>*25% of councils currently undertake entrepreneurial activities in respect of facilities and 50% are considering this.</p> <p>*46% of councils currently undertake entrepreneurial activities in respect of waste and 31% are considering this.</p> <p>APSE Data:</p> <p>Highways Services: 83% of 43 Council's responding to survey have services provided internally (APSE briefing: 14/34);</p> <p>Street Cleansing: 78.4% of 54 Council's responding to survey advised services are internally provided (APSE Briefing: 15/15).</p> <p>Waste Collection: 67.62% of 104 Council's responding to survey advised services are internally provided (APSE Briefing: 15/27).</p> <p>Parks: 73.8% of 91 Council's responding to the survey advised services are internally provided - (APSE Briefing: 15/28)</p>	<p>*58% of councils own a trading company.</p> <p>Recent examples of Council's that have set up Wholly Owned Trading Companies include in respect of the Services in Scope:</p> <p>E.g. Cheshire East Council – set up Ansa Environmental Services Ltd to delivers its waste, cleansing, parks and fleet management services.</p> <p>Cheltenham and Cotswold District Councils – set up Ubico Ltd to deliver their waste, cleansing, grounds maintenance and fleet management/maintenance operations.</p> <p>Cornwall established Cormac Ltd to provide highway and environmental design and maintenance services, design and construction of major highway schemes, and facilities services including property maintenance, cleaning and caretaking services</p>	<p>Many examples of model in respect of services in scope except Highways (but see note on Cormac below).</p> <p>Norse has formed Corporate Joint Ventures with over 20 different councils to deliver a variety of services including waste collections, street cleansing, parks/grounds and cemetery maintenance, facilities management, fleet management and public toilets.</p> <p>Examples of Councils that have set up JV's with Norse include:</p> <p>Newport Borough Council for the delivery of Property, Cleaning and Facilities Management Services.</p> <p>Suffolk Coastal District Council for the delivery of waste management, neighbourhood services, street cleansing, fleet management, grounds maintenance and engineering services.</p> <p>Cormac is currently completing due diligence ahead of forming a Corporate Joint Venture with Nottingham County Council for the delivery of its highway services.</p>	<p>*57% of councils operate a joint venture with a private partner.</p> <p>Many examples of this model exist for the Services in scope including:</p> <p>Capita Ltd working with the London Borough of Barnet to deliver its highways management, planning and development, regeneration and environmental health and trading standards services;</p> <p>Amey working with Liverpool City Council to deliver its: highways repair and maintenance; street lighting repair and maintenance; environmental services; refuse and recycling; grounds maintenance and capital investment works.</p>	<p>APSE Data:</p> <p>Highways Services: 12% of 43 Council's responding to survey have services provided externally (APSE briefing: 14/34);</p> <p>Street Cleansing: 19.6% of 54 Council's responding to survey advised services are externally provided & 2% internal/external mixed (APSE Briefing: 15/15).</p> <p>Waste Collection: 31.7% of 104 Council's responding to survey advised services are externally provided – 1.4% via joint waste authorities. (APSE Briefing: 15/27).</p> <p>Parks: 4.6% of 91 Council's responding to the survey advised services are externally provided. 3.1% delivered by a Trust and 15.4% through a mix of internal, trust and external, (APSE Briefing: 15/28)</p> <p>Many examples of this model exist for the services in scope including: :</p> <p>Sheffield Council – Veolia Ltd deliver its refuse collection and household waste recycling centre services;</p>
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Extent Adopted by Other Council's (and examples) Continued	<p>Examples of Council's that have successfully modified in-house service delivery include:</p> <p>Oxford City Council – improvements were made to delivery of front line environmental services. To test the improvements made, external bids were invited and the in-house was identified as being more cost effective;</p> <p>Barnsley Council – achieved savings by restructuring teams, redesigning and reducing services for Environment and Highways</p> <p>Numerous examples of such service provision across all service areas</p>				<p>Wiltshire County Council – in 2013, Balfour Beatty was awarded a £150m five year contract to undertake the Council's highway maintenance, grass cutting, grounds maintenance, litter collection and street lighting as well as dealing with winter weather, drainage and bridges</p>
Impact upon employees employment status	No change to employment status	Council employees would transfer under TUPE	<p>Council employees would transfer under TUPE</p> <p>Opportunities may exist for enhancements to terms and conditions, working practices and development</p>	<p>Council employees would transfer under TUPE</p> <p>Opportunities may exist for enhancements to terms and conditions, working practices and development</p>	<p>Council employees would transfer under TUPE)</p> <p>Opportunities may exist for enhancements to terms and conditions, working practices and development</p>

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Organisation governance	Current Governance and democratic accountability arrangements would continue	<p>Services would be delivered in accordance with contract specification.</p> <p>Council would own company and have representatives on the Board. The Board would have responsibility of the operation and control of the company. .</p> <p>Service delivery requirements could be flexed subject to contractual arrangements between the Council and the Company. Required changes would be agreed between Council and Company as part of the annual business planning process.</p>	<p>Services would be delivered in accordance with contract specification.</p> <p>Council would have representatives on JV Company Board. Governance arrangements would have to be sufficient to enable the Council to have joint control over the company to comply with 'Teckal' criteria. Level of control would be reduced compared with the In-house model.</p> <p>Less flexibility and responsiveness to changes in service requirements compared with in-house provision, as interests of JV partners will need to be equally considered by the Board. Arms-length and shared</p>	<p>Services would be delivered in accordance with contract specification.</p> <p>Council would have representatives on JV Company Board. Governance arrangements would provide certain controls (e.g. reserved matters) as well as the JV Contract. Level of control would be reduced compared with the In-house model.</p> <p>Less flexibility and responsiveness to changes in service requirements compared with in-house provision, as interests of JV partners will need to be equally considered by the Board.</p>	<p>Services would be delivered in accordance with contract specification.</p> <p>Council's level of control over service delivery would be dependent on contractual arrangement.</p> <p>Less flexibility and responsiveness to changes in service requirements compared with in-house provision. Changes to service delivery levels would have to be achieved through contractual or funding leverage mechanisms. Business plan reviews, continuous improvement and value engineering mechanisms could also be used.</p>
Client Management	Separate client function within Council structure would not be required	With the Council being the owner, a high level of trust would exist. Therefore, only a 'thin' client management would be required. Some Council Officers and/or Members would also have Company Board responsibilities.	With the Council being a partner to the JV, a relatively high level of trust would exist. Therefore, only a relatively 'thin' client management would be required (likely to be larger than for a Wholly Owned Company). Some Council Officers and/or Members would also have Company Board responsibilities.	With the Council being a partner to the JV, a relatively high level of trust would exist. Therefore, only a relatively 'thin' client management would be required (likely to be larger than for a Wholly Owned Company). Some Council Officers and/or Members would also have Company Board responsibilities.	A Client Team would be required to manage a contract awarded to an external organisation
Political Support	High	High	Medium	Low	Low
Union Support	High	Medium	Low	Low	Low

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Cardiff Residents Support	Preferred Model (36.7%)	Second Preferred Model (12%)	Third Preferred Model (11.7%)	Fourth Preferred Model (6%)	Least Preferred Model (6.8%)
Financial and contractual flexibility	High	High	Medium	Medium	Low
Strategic Control	High	High	Medium	Medium	Low
Flexibility for Collaboration agenda and other Council engagement for services	Medium	High	Low	Low	Low

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Appendix 6 – Soft Market Testing Summary

Infrastructure Services Alternative Delivery Model – Soft Market Testing

Introduction

Following Cabinet approval on 20th November 2014, a Prior Information Notice (PIN) was published in the European Journal on the 21st November 2014. The stated purpose was to

“help the Council ensure that:

When appraising the short list of potential options for the delivery of its Infrastructure Services, it has all relevant information concerning:

- the benefits that each option is able to realistically deliver;*
 - the level of interest from third parties there would be in taking forward certain options/in helping to realise those benefits, where applicable;*
 - other market perceptions pertaining to any options;*
- it does not directly, indirectly or unintentionally create a strategy for the delivery of these Infrastructure Services that is not deliverable, either from an operational or value for money perspective, and*

it does not create barriers or obstacles for any potential procurement process, should it decide on progressing down the route of commencing a procurement exercise for all or any of these Infrastructure Services.”

Organisations were invited to inform the Council’s thinking on the potential options, solutions and models that exist for the provision of the services in scope.

The PIN also invited organisations who may be in a position to assist developing the modified in-house solution (or indeed help assist the Council prepare for the procurement of any subsequent delivery model) to also respond.

The PIN identified that the key objective of the Council is to significantly reduce the net operating costs of its Infrastructure Services, whilst at the same time improving service delivery; reducing failure demand; increasing customer satisfaction, and ensuring the continued and sustainable delivery of these services for years to come. The PIN also made it clear that its publication did not in any way constitute a commitment by the Council to undertake a procurement exercise in the future.

PIN Open Day 8th December 2014

Organisations interested in informing the Council’s thinking were invited to attend an open day on 8th December 2014, which was held at the Council’s offices at County Hall. A Memorandum of Information regarding the project was provided for all organisations that expressed an interest in attending this open day.

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The PIN also advised that Officers had reserved Monday 15th December, Tuesday 16th December, Thursday 18th December and Friday 19th December 2014 for the purpose of holding individual meetings for further discussion to inform the process. Organisations were offered the opportunity to pre-book these before the open day, or to make a booking following the open day.

The open day suggested that there was a lot of market interest in the Infrastructure Services Alternative Delivery Model project with a total of 39 attendees representing 25 organisations requesting attendance. Following the open day there was a total of 12 organisations that took up the opportunity to have individual meetings in the week of 15th December to further inform the process.

Summary of Individual Meetings with Organisations

A total of 12 meetings were held during the week commencing 15th December 2014, these were held with companies that had expressed an interest in the PIN and that had attended the open day on 8th December 2014. From the Council's side, to ensure consistency, the same set of officers was present at all of the individual meetings.

Details of the organisations that attended the individual meetings along with the date and time of their meetings are summarised in the table below.

Date	Organisations Present	Meeting Time
Monday 15 th December	Veolia	10:00-11:00
	Kier	11:15-12:15
Tuesday 16 th December	iMPower Consulting Ltd.	09:00-10:00
	Mitie	10:15-11:15
	CH2M Hill & Costain	13:00-14:00
Thursday 18 th December	Norse	09:00-10:00
	Amey	11:30-12:30
	Egnida*	14:15-15:15
Friday 19 th December	Capita	09:00-10:00
	New Networks & Eversheds	10:15-11:15
	Balfour Beatty	11:30-12:30
	CORMAC	12:45-13:45

* Although Egnida attended the PIN meetings, their interest was in providing energy solutions related to solar panels for the Council. As a result of this the information discussed with them has not been included as it was considered to be out of scope for the Infrastructure Services ADM project.

In the hour long scheduled meetings, a period of 10 minutes was allowed at the start for the organisation's representatives to provide information regarding their organisation's profile and

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experience, as well as the potential benefits it could deliver. Organisations were requested to submit this information by the end of the day immediately before the meeting with Council Officers.

The remaining 50 minutes of each meeting was used to address a standard list of questions which had been prepared by the project team. There were a total of 8 questions developed, which were closely aligned with the alternative delivery model evaluation criteria statements.

The 8 questions posed to the organisations that attended the individual meetings were:

1. What experience has your organisation had in delivering, or assisting in delivering, some or all the services in scope of this project with or for other local authorities, what cost savings (quantum and percentage) and other benefits were achieved and over what timescale?
2. The key objectives of the project are to reduce operating costs, improve service delivery performance, improve customer satisfaction and develop income opportunities. If you were the Council, how would you:
 - 'Incentivise' the achievement of these objectives;
 - Secure appropriate assurances regarding the achievement of the objectives;
 - 'Bundle' the services within scope of the project to maximise the achievement of the objectives and also market attractiveness, and
 - Allow the market to offer the most cost effective solution?
3. In your view, what would be the key risks in managing and delivering this scope of services and what would be the most effective apportionment of risk (and control) between the Council and organisation responsible for delivering the services?
4. What flexibilities would you offer in terms of the Council needing to achieve future budget reductions and service delivery changes?
5. What is your view on the level of risk associated with generating additional income in respect of the services within scope? Which particular markets do you think should be targeted for increasing income and what magnitude of increase do you feel would be reasonable over the next 5 years? What mechanism would you recommend for sharing profits from an increase in income with the Council?
6. What length of contract would you recommend for the scope of services identified?
7. How long would it take you to complete the necessary due diligence for this scope of services, and how/when would you recommend this be done? What information would you expect to be delivered as part of any procurement pack?
8. Are there any other points you think the Council should take into account when considering the alternative delivery options for this scope of services?

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To maximise the use of time in the meetings, the questions were forwarded to each organisations attendee's in advance. Some of the organisations provided a written response to the questions before, during or following their meeting.

Summary of Findings from Soft Market Testing

The individual meetings with organisations provided the project with a lot of useful information, which has been utilised to inform various aspects of the project. Across the organisations present there were themes in the answers given to the presented questions, the common themes that became evident were focused on

- Bundling of services
- Procurement/Cost Effective Solution
- Risks and Issues
- Income generation opportunities
- Governance
- Due diligence
- Phasing/Mobilisation/Implementation

More specific statements and ideas related to these themes are captured in the table below.

Theme	Specific Information/Ideas
Bundling of services	<ul style="list-style-type: none"> • If all the services were put out for procurement/contract negotiations there should be no more than three lots, with a forth to cover all services • Greater savings and risk transfer may be achieved with the above approach as best of class can be achieved • The more services that are in scope of a contract the more opportunity it affords the market to achieve the Council's targets • Bundled services should allow economies of scale, with as many vertically integrated services as possible • Due to the Teckal limit, if the lots are small then the 20% allowance will be of a smaller value • Might need to consider a mixed market model with some services retained in house, and others being delivered by a different model(s)
Procurement/ Cost Effective Solution	<ul style="list-style-type: none"> • Too many lots will result in excessive procurement costs for all parties • OJEU and CPV codes used for procurement should cover other Local Authorities and service areas, to reduce future procurement costs and barriers if the scope of services change (this would also allow other authorities to join at a later date) • Specifications should be defined as outputs/outcomes with KPI/PIs for each • Cardiff needs to challenge the market to be innovative with solution and test its own political constraints • Dividend arrangements are taxable, rebates are non-taxable

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Risks and Issues	<ul style="list-style-type: none"> • Market would be willing to take on responsibility for achieving statutory targets/KPIs, however in most instances they would need control/input into policies • Further budget reductions whilst in contract, could be accommodated by using measures such as increasing contract length or by the removal of some performance management targets • Measured KPIs are negative as are guards against failure but would be in place as a matter of course, more appropriate approach would be to use a business improvement programme with milestones and proving points related to hard and soft objectives • A judicial review could come from anywhere, it needs to be ensured citizens are adequately consulted • There are no cheque or penalty mechanisms available to the Council if the in-house model does not deliver • Need to ensure back office and corporate centre impacts are properly understood and represented
Income generation opportunities	<ul style="list-style-type: none"> • Services need to be delivering for the Council before any commercialisation and income generation is pursued • Could cross charge other Council services if solution contributes to other Council objectives i.e. health, social care, education etc. • Income generation does not necessarily mean that profit will be made for money to come back to the Council • Contracts can be tailored to offer income guarantees, however exclusivity might be required • Risk transfer for income generation could be achieved by licensing opportunities in exchange for reduced fees
Governance	<ul style="list-style-type: none"> • Contracts should have an exit strategy controlled with performance triggers, with penalties for under performance. There should not be an automatic extension clause. • Costs of governance and involvement of members needs to be captured • Veto rules can be offered in Joint Venture contracts, these should be recorded in the reserved matters • Need to ensure that Council representatives whether officers or members have the required level of power, skill and expertise to be board members
Due diligence	<ul style="list-style-type: none"> • General consensus was that due diligence should take a minimum of 3 and a maximum of 6 months • Data needs to be as accurate and detailed as possible to obtain best price contracts and to avoid inflated costs due to unknowns • Joint ventures tend to require more due diligence than Outsourced contracts • The critical path is the time taken to supply information and not how long it takes the contractor to process it • Biggest issues are TUPE and ICT information, a clear scope and specific details about assets are also beneficial

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	<ul style="list-style-type: none">• Need to consider how much Council resource will be required, and how long it will take this resource to gather and collate required information, as this is critical
Phasing/Mobilisation/Implementation	<ul style="list-style-type: none">• Should consider if the supplier is large enough to provide enough resource for mobilisation• Need to establish the Council's preferred employee transfer model• The level of service performance from the Outline Business Case to transition needs to be recorded, this is to ensure KPIs are kept up to date for calibration• Savings achieved are dependent on the people delivering them and not necessarily the systems in place

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Appendix 7 – ‘Changes for Cardiff’ 2015/16 Budget Consultation: Questions and Responses

‘Changes for Cardiff’ 2015/16 Budget Consultation: Questions and Results

From 21st November 2014 until 12th January the Council undertook an extensive consultation exercise called ‘Changes for Cardiff’ regarding the 2015-16 budget proposals.

Within the consultation, details were provided regarding the Infrastructure Services Alternative Delivery Model project and three questions were posed based on the information that was provided. These questions were:

- Do you agree that the Council should consider alternative ways of delivering the services identified?
- Of the five delivery models already shortlisted, do you have a preferred option?
- What factors do you believe are most important in the delivery of service and should be taken into account in choosing a preferred delivery model for the services detailed?

With regards to the first question the report advises on page 89 that 65.7% of respondents agreed that the Council should consider alternative ways of delivering the services in scope of the Infrastructure Services Alternative Delivery Model project.

The second question posed is dealt with on page 90 of the consultation report, which shows how the five delivery models in scope of the project ranked in terms of the respondents 1st-5th choice for delivery. A summary of these results are provided below

First Choice Rankings				
1 st	2 nd	3 rd	4 th	5 th
Modified in-house service delivery (36.7%)	Establishment of a wholly owned arms length company (12%)	Public/Public Joint Venture (11.7%)	Outsourcing (6.8%)	Public/Private Joint Venture (6%)
Second Choice Rankings				
1 st	2 nd	3 rd	4 th	5 th
Public/Public Joint Venture (18.9%)	Establishment of a wholly owned arms length company (18.1%)	Public/Private Joint Venture (9.2%)	Modified in-house service delivery (8%)	Outsourcing (3.5%)
Cumulative Rankings of First, Second and Third Choices				
1 st	2 nd	3 rd	4 th	5 th
Modified in-house service delivery (16.9%)	Public/Public Joint Venture (15.9%)	Establishment of a wholly owned arms length company (14.1%)	Public/Private Joint Venture (9.3%)	Outsourcing (6.4%)

The table above shows that the wholly owned company and public/public joint venture options are the only models that consistently appear within the top three for the First Choice Rankings, Second

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Choice Rankings and the Cumulative Rankings for First, Second and Third Choices. This suggests that the residents would prefer that the risks of delivering services and operating in an external market are retained by the Council at least to some extent. The fact that modified in house is also the top choice in two of the table's categories also shows that there is a strong preference to keep delivery of the services as close to the Council as possible.

These sentiments are echoed in an analysis of open comments received on page 89 where 39.2% of comments received stated opposition to private sector involvement due to fears service delivery would primarily become profit driven. 32.2% of the comments also expressed fears that there would be negative implications to cost and quality if delivery of the services be moved beyond Council control. In addition, One in ten (11.6%) commented on the need to improve the existing Council management and move toward the employment of a business model whilst retaining overall control.

Details of the results for the third question are provided on page 92 of the consultation report. This question asked the public to choose (by picking up to three) which factors they believed to be most important in the delivery of service and should be taken into account in choosing a preferred delivery model for the services detailed.

The results of this showed that, by far the most important factors for consideration was

- Quality of service (90.3%)

This was followed by three factors within a close range of each other

- Implementation costs at a minimum (49.0%)
- Frequency of service (48.2%)
- Certainty of achieving budget savings (43.0%)

Whereas the least two important factors were

- Who delivers the service (24.8%)
- Speed of delivery (20.7%)

This suggests that despite the indications of the preferred model of delivery for services (as discussed above) that there are a number of factors deemed more important than this. With quality and frequency of service, certainty of achieving savings and minimum implementation costs seen as being more important than who actually delivers the service.

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Appendix 8 – Project Programme

Project Governance Throughout the Full Business Case Stage					
Task/Milestone	Dates	Stakeholder Management	Modified In-House Model		
Phase 3 – FBC Project FBC Transition Board	20/07/15-31/07/15	Stakeholder Planning Workshop 27/07/15-31/07/15	Development of Modified In-House Improvements 20/07/15-		
External Project support identified and appointed	20/07/15-21/08/15	Development of Communication Plan 03/08/15-07/08/15	Implementation of identified and approved Modified In-House improvement actions		
PHASE 3 Project Brief – Signed off	10/08/15	Constant Engagement and Communication with all Stakeholders Throughout the Full Business Case stage			
Due Diligence	27/07/15-30/10/15				
Due Diligence Completed	31/10/15				
Develop Full Business Case Considerations	03/08/15-31/10/15				
Develop Modified In-House Improvement Plans	03/08/15-31/10/15				
Comparison of In-House Improvements with Wholly Owned Company considerations	01/10/15-31/10/15				
Draft Full Business Case	14/10/15-29/11/15				
Draft Full Business Case Completed	30/11/15				
Forward plan for cabinet produced and submitted	01/09/15-16/09/15				
Draft Cabinet Report	02/11/15-29/11/15				
GATEWAY REVIEW					
Draft Cabinet Report Submitted	30/11/15				
Cabinet Report and Full Business Case considered by Key Stakeholders and amended	01/12/15-18/12/15				
Final Full Business Case and Cabinet Report Submitted	Dec 15				
Cabinet Approval of Full Business Case Recommend to Council	Jan 16 Jan/ Feb 16				
GATEWAY REVIEW					
Initiate Transition Board & Mobilisation (if WOC Approved)	Feb /16			Constant Engagement, staff TUPE Consultation and Communication with all Stakeholders Throughout the Transition and Mobilisation Phase	
Establishment of Wholly Owned Company (if approved)	Quarter 1 (16/17)				

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Business Case Approval

Project Executive Comments:			
Project Executive:		Date:	

Programme Manager Comments:			
Programme Manager:		Date:	

Approval to Proceed to Next Stage			
<i>Date approved – Investment Review Board</i>		<i>Decision Ref:</i>	
<i>Decision</i>	Request Amendment <input type="checkbox"/>	Refer to Organisational Development Board Decision <input type="checkbox"/>	
	Approval to Proceed <input type="checkbox"/>	Reject & Cancel <input type="checkbox"/>	
<i>Comments</i>			

s c r u t i n y



**A Joint Report of the Environmental
and Policy Review & Performance
Scrutiny Committees**

**Infrastructure Business Model
& Alternative Delivery Options**

July 2015



City and County of Cardiff Council

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CHAIR'S FOREWORD

Since 2012 Cardiff Council has faced a series of cuts to its grants which are set to continue. The Assembly can no longer protect Welsh councils from these austerity measures and so Cardiff's non – statutory services (other than schools & social services) are taking the brunt of the cuts. Tripling council tax to make up the shortfall is not an option so our cross party task group was asked to look at alternative delivery models as a way of protecting as many jobs and services as possible – something that we hope employees, unions and Members will appreciate and understand.

We have spent seven long months looking in detail at how other councils have implemented a range of models being used to address financial pressures and help maintain service delivery. In doing this we have reviewed a range of models including in house modification, wholly arms length company, public / public joint venture, public / private joint venture and outsourcing. As the evidence was gathered we undertook several site visits and spoke with councillors, staff, trade union representatives and management delivering services using the different models. I would like to thank these witnesses for their honesty and hospitality.

We have also looked at the Cardiff Council service areas within the scope of the Infrastructure Business Model and based largely on information provided by the service areas and staff interviews we then reviewed the suitability of these service areas for the range of alternative delivery options. Again I would like to thank all of the internal witnesses who took part in the exercise; their contribution has been very valuable. The hard work and effort that Cardiff's staff put into delivering these services is recognised and hugely appreciated by all of the Members of the task group.

The Council and its officers should be congratulated for their willingness to recognise problems and their determination to improve services to make the final delivery model work for everyone in Cardiff. At the end of the day it

must be recognised that this far reaching report is merely the collective opinion of scrutiny Members in a task & finish group, however, we hope that it will contribute to a key debate about how this Council can function in such unprecedented financial circumstances.



Councillor Paul Mitchell

Chairperson – Environmental Scrutiny Committee

INQUIRY METHODOLOGY

The Joint Scrutiny Inquiry looked at the range of alternative delivery options and how they could be used to deliver the services within the scope of the Infrastructure Business Model. In pursuing this aim, the task group drew upon a number of information sources including:

- Analysis of a series of 'Fundamental Service Review Documents' produced by managers in the services. These set out perceived service risks, budgetary issues, opportunities for commercialisation, culture / staffing issues and performance / benchmarking arrangements. Each of the documents was supported by a SWOT analysis that provided a summary of strengths, weaknesses, opportunities and threats relating to the service. Some of the content within this report, including the phrasing of the findings, is drawn from these documents which are summarised in this report.
- Information that the Infrastructure Services Project Team kindly agreed to share with the task group.
- Fact finding visits to exemplars of the potential models of operation: modified in-house provision (Oxford Direct); wholly-owned company (Cheshire East and Cormac Solutions); public/public joint venture (Wellingborough Norse); public/private joint venture and outsourcing (Birmingham Amey). This was supplemented with further analysis of other examples of each model in operation.
- Verbal or written evidence from a wide range of Council Members, Cardiff Council officers, trade union representatives and other third party witnesses.
- It should be noted that the financial data included in the service-specific issues section of the report has been based on the 2013-14 Outturn (Month 14) position and, therefore, provides a snapshot of the financial position of the relevant services at that point in time. Subsequent to that snapshot these services would have incorporated the 2014/15 and 2015/16 savings into their revenue budgets.

- In the 'Background' section of the report there is a reference to a saving of £4.3m to be delivered from the Infrastructure Business Model by the end of 2017/18. At this stage this is an indicative potential saving opportunity which will be developed during the preparation of the 2016/17 Budget, and associated MTFP.

From this body of evidence the Members drew key findings and the 27 recommendations listed in this report. The Joint Inquiry will report through its two committees in June and July 2015, and commend their recommendations to the Council's Cabinet for consideration.

INQUIRY TERMS OF REFERENCE

The aim of the inquiry is to review the range of available alternative delivery models that could be used by the City of Cardiff Council to deliver front line services. In doing so the inquiry will focus on:

- The potential range of services that could be delivered using alternative service delivery models;
- The range of potential operating models currently being considered by the City of Cardiff Council.

When evaluating alternative delivery models and the services that they could be used to deliver the inquiry will explore a number of key factors including the:

- Impact on service delivery;
- Financial impact;
- Staffing impact;
- Legal impact;
- Deliverability and potential risk;
- Identification of a suitable priority based selection criteria that could be used to identify the most appropriate operating model for delivery of front line services;
- Strengths and weaknesses of each alternative delivery model;
- Lessons learnt from other local authorities on the implementation of alternative delivery models.

SUMMARY KEY FINDINGS & RECOMMENDATIONS

Infrastructure Business Model & Alternative Delivery Options – Key Findings & Recommendations

Background

The Infrastructure Business Model is a project which aims to identify a suitable alternative delivery model for the following outdoor services:

- Waste - Education & Enforcement
- Waste – Collections
- Waste - Street Cleansing
- Waste - Treatment & Disposal
- Highway Asset Management
- Highway Maintenance
- Pest Control
- Central Transport Services
- Soft Facilities Management
- Parks & Sport
- Hard Facilities Management
- Projects, Design & Development
- Infrastructure Design and Construction Management
- Telematics

The approximate cost of running all of these services is £55 million per annum. The services employ just over 1,330 City & County of Cardiff Council employees.

The 20 November 2014 Cabinet paper titled 'Infrastructure Services – Alternative Delivery Model' identified five potential alternative delivery model options, these were:

- Modified In-house;

- Wholly Owned Company;
- Public/Public Joint Venture;
- Public/Private Joint Venture;
- Outsourcing.

A presentation titled 'Organisational Development Programme – Infrastructure Services – Alternative Delivery Model' was delivered by Cardiff Council's Director for the Environment on Friday 19 September 2014. This identified a number of critical issues facing the services within the scope of the model, these were:

- Significant savings required over Medium Term Financial Plan period – c£13m estimated for Services in Scope based on Directorate targets;
- High sickness absence in some services;
- High level of unwanted demand in some services, for example, a high number of unwanted calls through C2C;
- Need to change/service modification/adoption of new technology for improving efficiencies/customer service;
- Shortfalls in performance management;
- Ongoing silo approach to service delivery;
- Low level of external trading.

In concluding the presentation the Director set out a series of bullet points to indicate what success for the project would look like, these were:

- Savings achieved;
- Minimal impact upon front line FTEs;
- Improved morale;
- Improved service delivery performance;
- Improved productivity and operational flexibility;
- Reduced failure demand;
- Healthy income stream.

It was stressed to the Members of the task & finish exercise that the key drivers of the project were to help address the overall £123 million in savings required in the financial years 2015/16, 2016/17 and 2017/18; the indicative value allocated to the Infrastructure Business Model is approximately £4.3 million by the end of 2017/18. In doing this the Council needs to do all it can to maintain service standards, improve efficiency of service delivery, improve commercialisation of the services and improve performance management.

Based on the evidence received at the task group meeting and Member learning visits arranged during the inquiry period, the Members reached key findings to support the 27 Recommendations listed below:

Recommendation 1 – Required Speed of Change

The Council needs to save a total of £123 million by the end of the 2017/18 financial year. From this total the Infrastructure Business Model needs to provide an indicative amount of approximately £4.3 million by the end of 2017/18.

The urgency of meeting the required savings cannot be overstated; therefore, Members recommend that quick and decisive action must be taken to ensure that an outcome for the project is achieved by the end of the 2015/16 financial year. By outcome they mean that the preferred model is identified and that the option is put in place to ensure that savings are capable of being delivered from the start of the 2016/17 financial year at the latest.

Delays create cost and uncertainty which are two things that the Council cannot afford in this financially challenging period. The process will require clear objectives, concise management of change and focussed leadership.

What are the main ingredients for creating a successful alternative delivery model for the delivery of outdoor services in Cardiff?

The task & finish exercise reviewed and visited examples of all five of the potential alternative delivery options. Visits were made to:

- **In House Modification** – The group visited Oxford Direct Services on Thursday 19th February 2015.
- **Wholly Owned Arms Length Company** – The Chair of the Committee visited Cheshire East Council on the 24th April 2014. The group also received a presentation from Cormac Solutions Ltd, a wholly owned arms length company which was set up by Cornwall County Council.
- **Public / Public Joint Venture** – The group visited Wellingborough Norse on the 25th November 2014 to review a Public / Public Joint Venture set up between Norse Commercial Services and the Borough Council of Wellingborough.
- **Public / Private Joint Venture & Outsourcing** – The group visited Amey at their offices in Birmingham to discuss how they have created Public / Private Joint Ventures and Outsourcing contracts with public bodies.

The examples / providers listed below were reviewed as case studies by the task & finish group:

- **In House Modification** – The City of Edinburgh Council.
- **Wholly Owned Arms Length Company** – Cormac Solutions Ltd.; UBICO (Cheltenham Borough Council & Cotswold District Council).
- **Public / Public Joint Venture** – Cormac Solutions Ltd; Medway Norse; Norwich Norse.
- **Public / Private Joint Venture** – Kier; Amey; Capita; Balfour Beatty; CH2M Hill / Costain.
- **Outsourcing** – Lincolnshire County Council (contracted out to multiple suppliers via a framework arrangement); Bristol City Council (with several contractors including Kier (formerly May Gurney); Mitie; Veolia).

The 6 key elements for a successful alternative delivery model (ADM)

It was clear from the visits and case studies that all five models are options which could be and have been used to deliver successful alternative delivery models. During the visits and evaluation process it was apparent to the task & finish group that all of the successful options shared six qualities or traits which appear to be the cornerstone of success in this field. These six traits are detailed below, and explained in greater detail on the following pages.

- *Implementation of Systems & Technology (pages 13 – 14)*
- *Multi Skilling & Training (pages 15– 18)*
- *Income Generation & Commercialisation (pages 19 – 23)*
- *Performance Management (pages 24 – 26)*
- *Managing Cultural Issues (pages 27 – 32)*
- *Financial Control (pages 33 – 38)*

At the end of each section, recommendations are made for the way forward.

The remainder of the report considers the range of overarching and service-specific ADM options for Cardiff, again with recommendations are made for the way forward.

Trait One: Implementation of Systems & Technology

All of the best practice models that were studied put modern technology & systems at the heart of their operation. They tend to identify established industry technology & systems and then pay the providers to install them into their business. The systems & technology if properly used and managed make services more efficient, improve communication and improve productivity. Improved productivity equates to savings. For example, Oxford Direct Services and Amey both implement mobile scheduling systems across all of their services. They also both use established fleet management systems to control their fleet and have bought in Customer Management Systems for Waste Collection Services. In addition to this they use in cab tracking systems to monitor vehicle routes and assist with driver performance and safety. The systems work and provide a significant return on investment for both parties. It is crucial to note that both of these organisations operate at different ends of the alternative delivery model spectrum but recognise the importance of proper systems and technology in driving their business forward.

At the time of reviewing the Cardiff services nominated for the Infrastructure Business Model none of them used mobile scheduling systems; the Central Transport Services did not have an established fleet management system; the Waste Management Service did not have a customer management system and no in cab tracking systems were being used in vehicles which would be used to deliver work within the Infrastructure Business Model (although many of the waste vehicles had in cab technology which was not being used).

Recommendation 2 – Implementation of Systems & Technology

Whatever the alternative delivery option chosen by the Council, the new model has to introduce new technology and systems to improve efficiency and working practice, for example, fleet management systems, mobile scheduling systems and customer management systems.

All of the best performing providers from across the range of alternative delivery models invest in established third party systems and technology as they improve working practice, improve efficiency and make financial reporting and performance monitoring much quicker and easier. Once the new systems are implemented management needs to ensure that the new technology is properly used.

If the Council decides not to work with a third party partner who has immediate access to the required systems and technology then it needs to allocate funding and a sufficient timescale to implement the new systems and technology; this should factor in procurement timescales and implementation period. If the Council is serious about delivering commercially competitive services then it cannot afford to rely on primitive spreadsheets and slow financial reporting procedures.

Given the urgency and short timescales 'bespoke systems' must be avoided completely as they are expensive and difficult to amend quickly and accurately. They will consume officer time collating errors and reports for the supplier with no guarantee of success.

Trait Two: Multi Skilling & Training

Multi skilling is the process of providing staff with additional skills training so that they are able to work across an organisation covering a wider range of tasks; this should not be confused with multi tasking which is the process of delivering a variety of tasks at the same time. All of the successful models studied felt multi skilling and training were essential elements for creating improvement, efficiency and savings in a service. They were also important in increasing job satisfaction levels and allowing personal development. Oxford Direct Services, Amey, Norse and Cormac were all advocates of this approach. For example, an employee from Wellingborough Norse explained that when he worked for the Borough Council of Wellingborough he had been a street sweeper. Following transfer to Wellingborough Norse he was immediately offered additional training opportunities including a course which allowed him to become a mechanical sweeper driver. This benefited him because it improved his skills base, introduced more variety into his role and increased his income. Wellingborough Norse benefited because it provided them with a more flexible workforce – this created operational efficiencies and savings as they longer needed to bring in agency or third parties to undertake the work. Oxford Direct Services took a similar approach. They calculated in 2011 that to maintain staff wages at their current rate they would need to increase productivity by 15%. A large part of this increase was achieved through multi skilling of staff which was only possible as a result of their training programme.

The other strong argument for multi skilling was to reduce the use of 'job & finish'. For example, staff at Wellingborough Norse explained that when they worked for the Borough Council of Wellingborough they were only responsible for delivering one role or task and that when this was complete they were allowed to go home, i.e. 'job & finish'. This often meant that they worked two or three hours less a day than they were paid. The multi skilling approach implemented at Wellingborough Norse meant that if staff finished a task earlier than anticipated then they could, if relevant training had been provided,

be transferred across to other work for the remainder of the day. This increases productivity and produces savings.

Oxford Direct Services saw investment in staff as essential. They explained that “we invest in our staff because they make us money”. In addition to their training budget they had a transformation budget (approximately £750,000) which could be used to fund additional capital & training resources, i.e. good equipment and well trained staff were viewed as an essential investment.

All of the best practice providers were very keen on increasing the use of apprenticeships and graduate placements. They helped ensure long term continuity of skills and service; provided opportunities for younger people in a challenging labour market and allowed the employer the opportunity to develop staff to meet their requirements. If supported by an effective training programme and on the job training apprenticeships and graduate placements are on the whole very cost effective. Amey, Norse, Cormac, Oxford Direct Services and most of the other examples studies all widely use apprenticeships and graduate placements. The task group was told that Norse has the highest paid apprenticeship scheme in the United Kingdom which for many school leavers makes them a very attractive potential employer.

In recent years training budgets at Cardiff Council have reduced. At a time when the best performing local authorities and private organisations are continually investing in new training Cardiff Council has because of budget pressures had to reduce spend. Cardiff Council does have apprenticeships and graduate placements; however, these are not used in all of the services within the scope of the Infrastructure Business Model.

Recommendation 3 – Multi-Skilling & Training

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on the development of multi skilling and training for staff. All of the best performing providers from across the range of alternative delivery models studied made the development of multi skilling and training a

central part of their operation and ethos. Effective implementation of multi skilling that is supported by work related training increases efficiency, raises productivity and boosts job satisfaction. In particular the selected model should focus on:

- Implementing wider multi skilling duties across all services where it can be applied and where appropriate.
- Ensuring that an effective training programme is put in place to support multi skilling and personal development. If the Council doesn't decide to work with a third party partner that is able to immediately able to implement established training schemes then it should ensure that sufficient financial resources are put in place to introduce best practice industry standard training schemes.
- The cost of the Council having to implement industry standard training schemes has to be built into the options appraisal for in house modification and wholly owned arms-length company.
- When implementing the multi skilling approach the Council should review the practice of 'job & finish' against other industry working arrangements. For example, some of the best performing providers used 'team & finish' and other flexible working approaches to increase efficiency, productivity and reduce costs.
- A proportion of the income and savings achieved from multi skilling and improved training should be reinvested back into the service in the form of additional training, new systems & technology and capital resource. This will represent an investment in staff to help ensure continuous improvement and efficiency within the service.
- The new service should look to increase the use of apprenticeships and graduate placements whenever possible; appropriate training should be

used to support these placements. Apprenticeships and graduate placements are used by all of the best performing alternative delivery option providers to develop the service and ensure long term continuity of skills and service.

- The Neighbourhood Services Trial which the Council has recently implemented is in the process of developing multi tasking within an area based working approach. The Council needs to continue with this work right up until the point where the new alternative delivery model is put in place. The efficiencies generated should produce savings in the interim period and ensure that any Council services are in a better position to transfer to the new alternative delivery option.

Trait Three: Income Generation & Commercialisation

Reducing internal budgets mean that it has now become essential for local authorities to look to increase external income to help maintain services. Oxford Direct Services, Norse, Cormac and Amey all looked to generate additional external income across the range of alternative delivery options. Oxford Direct Services felt that being able to generate external income was the strongest indicator that the service was competitive, for example, they only agreed to keep the Waste Collection Service in house once they could prove that it was as competitive as all other options in the market. An Oxford City Council officer explained that “Oxford City Council believes in in house services, but not at any cost”.

During the visits it was on several occasions explained that external income generation was a three step process:

- **Step 1:** Make the service efficient & competitive – this can take time to achieve but is essential as the private sector and other third parties probably won't buy into an expensive, inefficient process.
- **Step 2:** Insourcing - once the service is efficient & competitive try to win back all externally contracted work. To do this the service needs to illustrate that it provides value for money.
- **Step 3:** Once you have proved that you are efficient develop a business plan and start prospecting for external business.

It was explained several times that the expectation of simply transferring to a new alternative delivery model and expecting to generate lots of external income in the first year was naïve – efficiency must be achieved first. Once efficiency was achieved some key elements were highlighted which seem to be essential for generating new business, these were:

- Understanding from the outset where and how you need to prospect for new business. For example, Oxford City Council quickly realised that they didn't want to compete for lots of smaller contracts at the lower / cheaper

end of the market. Instead they looked to target medium sized contracts for work with other public sector / quasi public sector bodies.

- Creating a clearly defined business plan which reflects the type of business that you are looking for and how you are going to go about finding it. Once the business plan is established then stick to it. For example, Norse has a standard approach for generating income from a Public / Public Joint Venture. It does this by determining a geographically defined boundary around the partnership area. Next it lists the services to be provided by the partnership and forwards them to a Central Business Support Team. The partnership and the Central Business Support Team then agree on a frequency for trawling for new business opportunities through a range of commissioning and procurement data bases. Once the opportunities are agreed then the partnership works with the Central Business Team to develop a bid for the work.
- If you don't have the necessary commercial or sales experience for the service then buy it in. Both Oxford Direct Services and Norse employ sales people to drive in new business. Oxford Direct Services also employed marketing consultants to develop their brand and image at the outset. Employing sales and marketing staff seems to add a proactive commercial edge to the business which the traditional local authority arrangement has not required in the past.
- If you are competing for new business and developing new ideas to generate external income then you cannot afford to be risk adverse. Officers at Oxford City Council felt that the legal trading restriction applied against local authorities when compared against private sector companies shouldn't necessarily hold a Council back as long as the supporting legal and financial services were creative and flexible in their outlook. Failure to accept and deal with risk creates its own risk, i.e. the opportunity cost for failing to take any action.

- Regardless of which alternative delivery model you adopt the body should always try to trade on the Council's established brand. Most people regard local authorities as trusted brands. Bringing in new business via a trusted brand is far easier than the alternative. Norse, Oxford Direct Services, Cormac and Amey all agreed with this approach. Oxford Direct Services for example, used the local authority brand to increase commercial waste income from £1.6 million in 2011/12 to £2.8million 2014/15. Oxford has a population of approximately 150,000; this is compared against Cardiff which has a population in excess of 340,000 and a commercial waste income of slightly over £3 million per annum. One of the key messages that they used to sell the service was that supporting their local business meant that the income was recycled directly back into the local economy; this in turn had a positive impact on local businesses.

The majority of the income currently generated by the Cardiff Council services within the scope of the model was internal. Some external income targets were produced, however, in the most part the services failed to meet the targets. The fundamental service review documents almost all cited a lack of commercial experience and ability as a weakness.

Recommendation 4 – Income Generation & Commercialisation

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on increased income generation and commercialisation. All of the best performing providers from across the range of alternative delivery models were focused on achieving these objectives. A commonly expressed theme was that the ability to generate external income demonstrated that the service was competitive within the market. It also provided important additional funding to support the service and other functions provided by the Council. In particular Members felt that any new model should:

- Follow a three step approach to generating income. This means that:

- 1) The new model should start by making the service efficient and competitive;
 - 2) Once the service is competitive it should look to insource externally contracted out work;
 - 3) After the contracted out work has been brought back in house the service should look to bring in new external business.
- The service needs to be realistic in terms of initial income generation expectations. A planned and structured approach should be adopted which would involve the creation of a detailed business plan for each of the services. The business plans should be followed during the year and reviewed at least annually (earlier if necessary). The business plans should include a clearly defined target market for new business; a strategy for approaching prospective customers; income / new business targets and a summary of resources allocated for generating new business.
 - Once the new service is competitive it should employ a sales person to help generate new business for the Council. The service should also consider employing marketing expertise in the short term to help define and establish a trading brand. The sales person should be contracted to work to an agreed annual sales target.
 - If the Council decides not to work with a third party partner that has established income generation and commercialisation experience then it should allocate funding to ensure sufficient expertise is brought into the new service. The cost of the Council introducing income generation and commercialisation experience needs to be built into the options appraisal for in house modification and wholly owned arms-length company.
 - To successfully generate new business and external income the Council needs to become less risk adverse. This means that Legal, Financial and other Corporate Support Services need to be more creative and flexible in their outlook when evaluating opportunities.

- The Council brand and logo should remain a key part of any trading arrangement set up as a result of the Infrastructure Business Model project. Many of the providers stressed during conversation that the Council is a locally trusted brand and that the service needs to be built around this reputation.
- The vast majority of income generated by services within the scope of the Infrastructure Business Model is internal. The new model needs to shift focus away from only relying on internal income and ensure all staff from senior managers to frontline staff become more professionally and commercially aware of external income possibilities. All staff essentially will be selling the service at every opportunity.

Trait Four: Performance Management

Having a clear understanding of exactly what the model will deliver and manage is essential. Once this is understood then it needs to be defined in a contract or agreement. The contract or agreement needs a clear set of performance indicators which measure the success of the business; it is also vitally important to agree how and when these indicators are measured and the implications of success and failure. Benchmarking of the services is essential as it allows the service to compare itself against the best in the industry enabling continuous development.

Oxford City Council faced significant difficulties in 2008 when the current ruling group took over the running of the authority. Things were so bad in 2008 that the then Audit Commission refused to sign off the Oxford City Council accounts. At this point the authority took a decision that they had to do things very differently; one of the action points was to thoroughly benchmark themselves against the APSE (Association of Public Service Excellence) best performance. This allowed them to identify how good they were when compared to other authorities and identify where they needed to improve. Over a six year period the improvement was so significant that APSE awarded Oxford City Council the 'Best Service Team' for Transport & Fleet and Sport, Leisure & Culture.

Norse is also very strong on performance management. Once the performance measures are agreed in the partnership agreement they schedule quarterly performance reports which are received at the regular board meetings. The performance indicators are risk rated using a RAG (Red, Amber, Green) status similar to that used by Cardiff Council. Action points are agreed at the end of each meeting and progress is then reviewed at the next meeting.

The technology & systems used by the best performing alternative delivery model providers also help provide quick and accurate performance management information. For example, Oxford Direct Services, Amey and Wellingborough Norse are all able to produce accurate fleet management

reports with minutes; similar reports in Cardiff are processed through a complicated set of spreadsheets and it can take over a month for an individual to produce a similar report. Having the best technology and systems means that the required management information is always available – not having this quality and speed of information makes management very difficult.

The Council is currently going through a performance management improvement exercise. This involves bodies such as the Cabinet and scrutiny committees reviewing performance reports on a quarterly basis. The quarterly performance reports provide important information and indicator results for a wide range of important front line services. The fundamental service review documents indicated that some benchmarking does take place, but not for all services. The approach adopted is not consistent, for example, some services such as Parks benchmark with APSE, others only benchmark against other Welsh local authorities and some do nothing. Developing a consistent approach seems sensible. The lack of technology and systems for supporting many of the services within the scope of the Infrastructure Business Model seems to make it difficult to generate quick and accurate performance information which is very important for management. Introducing a wider range of systems & technology would improve performance management for Cardiff.

Recommendation 5 – Performance Management

Whatever the alternative delivery option chosen by the Council, the new model has to ensure that clear performance management and benchmarking is available for all parts of the service and that this information is readily available at short notice. Strong performance management and individual accountability is a common factor across the best performing providers from the range of alternative delivery options. In particular Members felt that any new model should:

- Ensure that the contract specifications for each service include clearly

defined performance objectives based on the important aspects of service delivery.

- Ensure that the services are benchmarked against the best performing companies or organisations within their sector. Developing a competitive service means competing against the best providers within the market and the benchmarking should reflect this fact.
- As a minimum services should benchmark themselves against APSE, the main UK core cities and the 22 current Welsh local authorities. The Council should attempt to provide a high quality consistent approach for the benchmarking of services.
- Specific quarterly performance reports should be available for all of the services within the new alternative delivery model. The reports should be available for review at any established Performance Management Boards, Cabinet, Scrutiny Committees and any other relevant Council group. Whenever problems are identified with the service an action plan should be put into place to resolve the matter.
- Ensure that the services within the scope of the Infrastructure Business Model all have adequate systems and technology which allow them to quickly and easily provide the required information to populate the performance reports. If the required information isn't quickly available it makes managing the service very difficult. Whenever possible, robust 'off the shelf' systems should be employed.

Trait Five: Managing Cultural Issues

The alternative delivery model providers reviewed saw developing close working relationships with both staff and trade unions as essential. Amey and Norse have both established collaborative working agreements with the major trade unions and look to consult with them on most aspects of their work. During the visits the providers allowed access to trade union and front line staff who were able to speak freely about their transfer / working for the new alternative delivery model. A common theme was that before, during and shortly after the transfer staff were naturally apprehensive about the prospect of moving across to another service delivery model. In particular rumours typically circulated that after the TUPE transfer wages and other benefits would be reduced and that staff would be asked to work far harder than they had previously done. In reality this didn't happen. Norse worked well with trade unions and staff, for example, they arranged coach trips to Suffolk so that they could meet their counterparts and discuss potential problems and issues. This approach significantly reduced any apprehension of the transfer. During the task group the Members came across four main areas where managing cultural issues were seen as an issue, these were:

- **Sickness** - Sickness rates in Cardiff are exceptionally high when compared against local authority and private sector averages, for example, in 2013/14 staff working in Waste Collections had an average of 23.7 days of sick leave each; staff working in Waste Street Cleansing had an average of 20.35 days of sick leave each and staff working in Central Transport Services had an average of 15.3 days of sick leave each. These were all well above the local authority average (almost double in some instances) and significantly higher than the private sector average. Cormac Solutions Limited (a Wholly Owned Arms Length Company) had an average of 2.2 days of sick leave per employee in 2013/14; Wellingborough Norse has a sickness rate of 2.7% (approximately 4.5 days of sick leave per employee per annum – the Norse Group run at a similar rate) while Amey typically has a sickness rate of 4.5 days per annum per employee.

The Council's sickness rate has a large impact on budget and service delivery; this is particularly true of Waste Collections where any sickness has to be backfilled with agency staff due to statutory and health & safety requirements. In effect for almost 24 working days of 2013/14 the Council was paying twice for waste operatives on collection rounds.

As a part of the exercise the task & finish group looked at a number of best practice providers who applied a wide range of techniques and policies to manage sickness. Many of these were different in approach; however, all delivered a similar result. Examples included:

- Oxford Direct Services used a partnership bonus which is partially based on attendance;
- Cormac Solutions Ltd did not pay any sick leave for the first two days of the sickness period;
- Norse applied a relaxed and informal approach to managing sick leave, for example, they placed the emphasis on informal conversations and early support to address underlying problems;
- Amey and Norse applied the Bradford Factor to manage out regular short term sickness absences.

It should be noted that the sickness absence information was based on the 2013/14 financial year as this was the only information available at the time. Officer comment has been made that the sickness absence figures improved for many of the services during 2014/15, however, this data has not been provided to and verified by the task group.

- **Improving the working relationship between staff & management** – A consistent theme across many of the Fundamental Service Review documents was that the relationship between staff and management had to be improved. Several of the best practice providers who had delivered improvements explained that the main cultural issues, for example, the staff and management working relationship, was only possible because of a transfer to another model, i.e. the transfer acted

as a huge catalyst for change. It was felt that acknowledgement of the problems and transparent dialogue was the key to improving the working relationship between staff and management. The message which came back was that all parties had to understand what their responsibilities were and the standards which were expected. Proper engagement with staff and trade unions during the transitional period was seen as essential and the earlier that this could be achieved the better. Some providers achieved success in this area by reducing the burden of bureaucracy and encouraging personal responsibility; this in turn seemed to improve staff and management relationships.

- **Embracing new systems & technology** – All of the best practice providers studied during the task & finish exercise were keen to embrace new systems and technologies to develop and improve their operations. Good systems and technology are vital for improving productivity and efficiency; they also make the gathering of information for performance management easier. In contrast the Council does not have the same appetite for investing and implementing the latest systems and technology; this poses the risk of Council services becoming less competitive over time.
- **Improving efficiency & productivity** – During the task & finish exercise it became clear that in future Council services need to be able to compete with the best local authorities and private sector providers. Providers like Oxford Direct Services quickly realised that productivity and efficiency had to increase to make the service affordable in the medium to long term - before setting up Oxford Direct Services Oxford City Council calculated that they needed to increase productivity in 2011 by 15% to maintain employee salaries and benefits at the same level. They achieved this through multi-skilling; better training; introduction of new systems & technology; incentivisation; good performance management & benchmarking and investment in staff and resources. They were also willing to step outside a national pay

agreement to support the process – a decision which they were criticised for at the time.

Recommendation 6 - Managing Cultural Issues

Whatever the alternative delivery option chosen by the Council, the new model has to address the cultural issues which are present in many of the services within the scope of the Infrastructure Business Model. Sickness rates are exceptionally high when compared against local authority and private sector averages; many of the services state that management and staff relationships are difficult; there is a reluctance within some services to adopt new technology & systems; changes to improved working practices are slow and productivity rates are low in some areas. Collectively these have a large impact on service delivery and the Council's finances. As a consequence they need to be addressed quickly. Members recommend that the following is done to address cultural issues:

- Sickness – the new alternative delivery model has to reduce sickness levels across most of the services. The best practice providers applied a wide range of techniques and policies to manage this issue, these included:
 - A partnership bonus which is partially based on attendance;
 - Not paying any sick leave for the first two days in the sickness period;
 - Applying a more relaxed and informal approach to managing sick leave, for example, placing the emphasis on informal conversations and early support to address underlying problems;
 - Using the Bradford Factor to manage out regular short term sickness absences.

All of these approaches are different; however, when applied and managed properly they appear to achieve the same result. The recommendation for sickness has to be that the Council either partners with a provider with a successful track record of reducing sickness, or (if an in house modification or

wholly owned arms length company is selected) resource is invested to change the current approach to match an established approach which is used by one of the best performing providers. In addition to this the sickness rates of all the services have to be consistently benchmarked against the best performing providers.

- Members feel that moving to a new structure and approach of working will provide an ideal opportunity to establish a better working relationship between staff and management. This can only be achieved through open and transparent dialogue. All parties need to understand what their responsibilities are and the standards which are expected of them. Proper engagement with staff and trade unions is essential during a period of significant change – it would seem sensible to obtain their opinion on working arrangements and allow them to take greater personal responsibility for achieving specific goals in their working environment. Some providers achieved success in this area by reducing the burden of bureaucracy and encouraging personal responsibility; this in turn seemed to improve staff and management relationships.
- Members believe that it is essential for the services within the Infrastructure Business Model to embrace new systems and technology. The best performing providers all use these to improve productivity and efficiency. A failure to keep up with the latest in industry systems and technology will mean the Council's services will fall further behind. The task group, therefore, recommends that the new services adopt the latest in industry technology and systems. In achieving this through a partnership / contract or an in house approach it should be made clear to staff why new systems and technology are required and the consequences of failing to change.
- A consistent theme of this report is that in future Council services need to be able to compete with the best local authorities and private sector providers. This ultimately means that efficiency and productivity have to increase. It is important to stress that Oxford Direct Services

acknowledged that they needed to increase productivity in 2011 by 15% to maintain employee salaries and benefits at the same level. They achieved this through multi-skilling; better training; introduction of new systems & technology; incentivisation; good performance management & benchmarking and investment in staff and resources. They were also willing to step outside a national pay agreement to support the process – a decision which they were criticised for at the time. Members, therefore, recommend that productivity has to improve and that staff are made aware of exactly why it needs to improve.

Trait Six: Financial Control

Ultimately the key driver for delivering a successful Infrastructure Business Model is to help the Council save money. The Council has to save £123 million by the end of the 2017/18 financial year. This is a huge task and the services within the scope of the Infrastructure Business Model have to make a contribution – the project has for the years 2016/17 and 2017/18 been allocated a savings target of £4.3million. Failure to achieve this saving and make greater efficiencies would in the medium and long term probably result in far more posts being lost and savings which are urgently required would have to be taken in a less structured approach. When reviewing the performance of the best practice providers a number of sensible financial approaches emerged which the Council would do well to follow, these were:

- The Council has to design all of the specifications for the new services using a zero based budget approach. Instead of simply relying on finding savings from historical budgets the services need to be designed around the actual tasks undertaken by front line staff upwards. This would mean that services are completely focused on service delivery. Providers such as Norse and Amey take this approach. When budgets are reviewed in Cardiff it is only against a historical base budget figure, i.e. we calculate savings as a percentage of the overall historical budget without questioning the validity of the historic base budget as a value which is required to deliver the required service.
- The finances of each of the services have to be independent of each other in accounting terms, i.e. they each need a transparent set of accounts which are readily available. The public / private partnerships, the public / public partnerships and the outsourcing options all do this. The in house modification and wholly owned arms length companies are capable of delivering this; however, some of the services within the Infrastructure Business Model would require significant change to achieve this. With the volume of internal trading and in some cases poor financial control some of the Council services struggled to provide

clear and concise financial information for the task group to consider. For example, instead of providing a detailed set of numbers some of the fundamental service review documents provided comments such as “the service is being delivered broadly within budgetary limits”. Clear, transparent and standalone accounting structures will make it easier to accurately monitor the services. This in turn will mean that financial issues are quickly identified and allow swift action to resolve the problem.

- In the services where financial control is (or has been) poor new financial systems need to be put in place. Where there are obvious systems issues it would seem sensible to bring in a third party software solution which is successfully used by the market leading providers, for example, a fleet management software system needs to be implemented for Central Transport Services – this would help the service better manage all transactions and monitor fleet values.
- In advance of any transfer or change of alternative delivery model the Council needs to obtain a clear understanding of the costs of delivering all of the services within the scope of the Infrastructure Business Model. Failing to understand this could mean that the Council unintentionally transfers profits to a third party that it doesn't have to; it also means that it doesn't understand its true cost base. When looking at the fundamental service reviews it was not apparent that all of the services understood their budget position in enough detail, for example, matching the service actually delivered to actual costs wasn't always possible.
- Prior to deciding on an alternative delivery model the Council needs to be clear as to how much of a saving can be made from the selected model. This is very difficult to achieve with certainty as there are too many variables to consider, however, industry average benchmarks, information from the scrutiny task & finish exercise and soft market testing events should provide a reasonable estimate. The soft market testing event identified some suggested savings that the public / public;

public / private and outsourcing models would be able to achieve. When looking at public / public Norse has suggested after an initial review of the services involved that they could generate an 18% saving over a five year period; Cormac Solutions Ltd didn't provide a percentage figure but stated that they were on track to return £22.979 million back to Cornwall Council as a profit in the first four years of operation. Other public / private joint venture and outsourcing estimates typically ranged between 20% and 30% (Amey – 20%; Mitie 20% to 25%; Balfour Beatty 30%); it should be noted that these were estimates based on previous experience and in some cases they were only estimated against specific services and not the whole range of services set out in the Infrastructure Business Model. When looking at in house modification Oxford Direct Services paid a surplus of £750,000 back to the Oxford City Council budget in 2013/14. This equated to 2.46% of overall turnover.

- To help achieve greater confidence for achieving savings the new alternative delivery model (where possible) should include some form of guaranteed savings – this, particularly in the short term, would help the Council reduce risk. The public / public joint venture, public / private joint venture and outsourcing options all had contracts where guarantees could be provided during the term of the contract. These options included a guaranteed price for delivering the contract – paid in advance or at the end of the financial year; a front loaded investment into a contract where the partner or contractor invests in capital to support the operation and collects a return in investment over the term of the contract; a cash injection to the local authority at the start of the contract which is then clawed back by the private contractor or partner over the term of the contract.
- The Council's current financial position means that the future budget settlements are likely to change. The new model needs to be flexible enough to accommodate any changes, for example, if the budget for a particular part of the service reduces then it is essential that there is

scope to alter the service or the way in which it is delivered. A lack of flexibility around budgets and service delivery could cause the Council significant difficulties. Any contract or service level agreement that the Council agrees to has to include a financial flexibility clause. The public / public, public / private and outsourcing providers almost all agreed that flexibility needed to exist within any contract; particularly in the current financial climate. Most of them agreed that you had to negotiate the way through difficult times; however, the partner would still need to recover any investment that they had made. Contract extensions were seen as one way of increasing financial flexibility.

- The new alternative delivery model has to be structured on a service based agreement and not an itemised delivery approach. Itemised delivery contracts tend to be very bureaucratic and expensive to manage. One of the Norse public / public joint ventures entered into an itemised delivery contract with Norse. This resulted in a huge overspend for the partnership which caused financial difficulties for the local authority.
- The task & finish group came across several examples of financial liabilities being transferred to third parties and creating financial savings for the local authority. For example, the Section 58 defence insurance liability for potholes was transferred by Cornwall Council to Cormac – to help achieve this they had to ensure that they were properly set up to manage the risks and avoid claims. Pension liabilities and other statutory target responsibilities can also be transferred to new providers at a cost.

Recommendation 7 – Financial

Whatever the alternative delivery option chosen by the Council, the new model has to help ensure that the Council improves its financial control over the services within the scope of the Infrastructure Business Model. The

budgetary pressures facing the Council (£123 million of savings in three years) mean that generating savings whilst as far as possible maintaining service delivery is probably the greatest risk facing the project. When looking at the best providers in the market a number of financial characteristics and priorities became apparent, these were:

- The Council needs to design all of the specifications for the new services using a zero based budget approach. Instead of simply relying on finding savings from historical budgets the services need to be designed from the front line up so that finances are focused completely on service delivery.
- The finances of each of the services need to be independent of each other in accounting terms, i.e. they each need a transparent set of accounts which are readily available. This will make it easier to accurately monitor the services, quickly identify financial issues and take action to resolve the problem.
- In the services where financial control is (or has been) poor new financial systems need to be put in place. Where there are obvious systems issues it would seem sensible to bring in a third party software solution which is successfully used by the market leading providers, for example, a fleet management software system needs to be implemented for Central Transport Services – this would help the service better manage all transactions and monitor fleet values.
- In advance of any transfer the Council needs to obtain a clear understanding of the costs of delivering all of the services within the scope of the Infrastructure Business Model. During the review of the services within scope it the financial picture of each one was not always clear. Understanding the finances of each service before transfer is essential – failure to do this could cost the Council heavily if it enters into a contract or partnership with a third party.
- Prior to deciding on an alternative delivery model the Council needs to be clear as to how much of a saving can be made from the selected model.

This is very difficult to achieve with certainty as there are too many variables to consider, however, industry average benchmarks, information from the scrutiny task & finish exercise and soft market testing events should help provide a reasonable estimate.

- To help achieve greater confidence for achieving savings the new alternative delivery model (where possible) should include some form of guaranteed savings value.
- The Council's current financial position means that the future budget settlements are likely to change. The new model needs to be flexible enough to accommodate any changes, for example, if the budget for a particular part of the service reduces then it is essential that there is scope to alter the service or the way in which it is delivered. A lack of flexibility around budgets and service delivery could cause the Council significant difficulties. Any contract or service level agreement that the Council agrees to has to include a financial flexibility clause.
- The new alternative delivery model has to be structured on a service based agreement and not an itemised delivery approach. Itemised delivery contracts tend to be very bureaucratic and expensive to manage.
- The task & finish group came across several examples of financial liabilities being transferred to third parties and creating financial savings for the local authority. For example, the Section 58 defence insurance liability for potholes was transferred by Cornwall Council to Cormac – to help achieve this they had to ensure that they were properly set up to manage the risks and avoid claims. Pension liabilities and other statutory target responsibilities can also be transferred to new providers at a cost. Members recommend that if practical and affordable, the Council should look to transfer as many of these financial liabilities into the new model as possible.

Considering the range of alternative delivery model options for Cardiff: High-level and over-arching issues

When reviewing the evidence it was clear that all of the potential alternative delivery models identified for the Infrastructure Business Model were capable of managing the services proposed by Cardiff Council. However, in reality there are a range of factors which dictate the practicalities of delivering each option. These are discussed below:

- **Public / Private Joint Venture & Outsourcing** – Members were agreed that most important factor dictating which of the options to be delivered was timescale. The fact that the Council has to manage a budget reduction of £123 million by the end of the 2017/18 financial year and that £4.3 million needs to be achieved from the services within the Infrastructure Business model in 2016/17 and 2017/18 creates a clear time cap. Both the public / private joint venture and outsourcing options would require substantial procurement exercises which would take at least two years. The majority of the public / private and outsourcing providers who attended the 'Soft Market Testing' exercise held in December 2014 stated that as a minimum they felt that a procurement exercise of this scale would take two years (including a six month mobilisation period). This does not take into account any delays for processes like a judicial review or the period between the decision to go down a procurement route and the start of the actual procurement exercise. In reality it seems more sensible to allow a period of three years for the procurement process. Based on this view and assuming a procurement route was agreed in July 2015, then in reality we could not expect to complete such a process until July 2018, i.e. within the 2018/19 financial year. This is outside the current financial savings window. As the requirement to deliver savings before this date is essential it not possible to proceed with this option.
- **In House Modification verses Wholly Owned Arms Length Company** – In House Modification and a Wholly Owned Arms Length Company are very similar. They would both require 100% Council management and

new investment in resources from the existing budget. The main difference is the legal status and positioning of the company. The In House Modification option would legally remain within the same public body – i.e. the Council. All cultural changes would have to be managed as they have been before and the commercial and trading powers would remain the same – i.e. they would have to rely on the Local Authorities (Goods and Services) Act 1970 (LA(GS)A 1970) and certain other powers which limit trading to other ‘public bodies’. They may not use their powers under that Act to trade with an individual or the private sector. Local authorities are able to trade with individuals or the private sector, but to achieve this they need to set up a company and conduct business under the Local Government Act 2003 (LGA 2003). This is where the creation of a Wholly Owned Arms Length Company provides the Council with a trading benefit – i.e. it expands the trading abilities of the Council. Instead of simply trading with other public bodies the Wholly Owned Arms Length Company allows the Council to trade like any other private sector company and, therefore, opens up more potential opportunities. As a consequence, when assessing In House Modification against a Wholly Owned Arms Length Company the trading ability of a new company removes In House Modification from the selection process.

- **Public / Public verses Wholly Owned Arms Length Company** – Having discounted In House Modification, Public / Private Joint Venture and Outsourcing the task & finish group were left to compare the competing merits of a Wholly Owned Arms Length Company and a Public / Public Joint Venture. In reviewing these two options the Members considered the following factors:
 - **Control** – The Council would retain 100% control of a Wholly Owned Arms Length Company. Management and all decisions taken by the new company would be controlled by the Council. This contrasts to the Public / Private Joint Venture where the Council would share ownership of the company with another public sector partner and, therefore, have to share the control. Management decisions would be

shared – these decisions would need to be agreed through a partnership board. Share ownership varied between the examples studied; however, the partner would probably expect to control at least 51% of the shares. Some witnesses commented that the actual percentage of shareholding held by either party was academic because neither of them would be able to trade the shares. For example, Cormac Solutions Limited would look to hold 51% of the shares in the public / public joint venture company, however, they would include a golden vote into their model giving the Council partner the right to ‘veto’ any decision; this improves the Council’s control over the partnership.

- **Financial Risk** – A Wholly Owned Arms Length Company (and, therefore, the Council) would retain 100% of the profits that it created. The Wholly Owned Arms Length Company along with its Council owners would also be 100% responsible for any losses generated. In contrast the Public / Public Joint Venture parties would share any profits or losses. The typical profit share for a Public / Public Joint Venture is 50%: 50%, i.e. equally shared. Norse and Cormac Solutions Limited both operate on a 50%: 50% profit sharing agreement. In summary the basic Wholly Owned Arms Length Company provides greater risks and reward. The Public / Public Joint Venture reduces the potential risks and reward. The Public / Public Joint Venture can also provide a financial guarantee which can greatly assist when setting new budgets and savings targets, for example, guaranteeing a savings level or profit amount for a number of years. This reduces short term risk and adds certainty to the process.
- **Resources & Experience** – The service reviews consistently indicated that the Council needs to invest in new systems and technology to improve productivity and efficiency. Without these systems the Council services will become less competitive and find it very difficult to generate new external income. The same can be said of experience; for example, the fundamental service reviews highlighted that the Council has very little in the way of commercial experience. In order to

make the Council commercially competitive it needs to invest in new staff and commercial experience. If the Council decided to create a Wholly Owned Arms Length Company it would need to invest heavily in new systems, technology and experience. All of the funding for these new resources would initially need to come from the Council budget. Sufficient time would also need to be put aside to procure any of the new ICT systems or technology required to deliver services within the new model. In contrast an established Public / Public Joint Venture partner could be selected (without the need of going through a procurement exercise) on the basis that it would bring established systems, technology and commercial expertise to the contract. This would substantially reduce any implementation timescales and costs for the Council. They would also provide management experience from having worked with the systems and technology in the past. As a partner they would share the costs of introducing the change which would help the Council in this financially difficult time.

- **Managing Cultural Change** - The service reviews highlighted significant cultural issues in many of the services within the scope of the Infrastructure Business Model. These included sickness; improving the working relationship between staff & management; embracing new systems & technology and improving efficiency & productivity. The Wholly Owned Arms Length Company would need to address these cultural issues by using Council resources. Any required change would have to be funded from the Council budget. In addition to this the same management would still be negotiating with the same staff and trade unions – apart from a change in legal status very little would be different and Members on the task group believe that the change would not be significant enough to make the required difference. Bringing in a Public / Public Joint Venture partner would mean a significant cultural change for management, staff and trade unions. Working relationships would need to be redefined with a new third party that would be asked to implement cultural change. Addressing cultural difficulties such as the high sick rates and implementing new systems and technology

would increase efficiency and generate savings. In summary, the Members felt that the Council either tries to resolve the cultural issues on its own through a Wholly Owned Arms Length Company or it brings in a Public / Public Joint Venture partner with an established track record in this area. Based on the required speed of change and scale of the problem the Public / Public Joint Venture would appear to be the best approach.

- **Performance Management** – Good benchmarking and performance management are important ingredients for managing cultural change. The Council has in recent years taken steps to improve corporate performance management; however, the service reviews revealed that the approach taken is not consistent across the Council. All services need to be benchmarked against market leading comparators, targets set and performance then reported on a regular basis. The Wholly Owned Arms Length Company could achieve this through in house provision; however, the ability to do this effectively would rely on the implementation of modern systems & technology. A carefully selected Public / Public Joint Venture company would have the systems and technology required to quickly gather the data required to improve performance management. This information would then be reported and analysed to assess progress. To improve performance management to the same standards as an efficient Public / Public Joint Venture the Council would have to invest in new systems and technology; this would take time and money.

Recommendation 8 – The Main Proposed Model

Having considered the five models proposed for the Infrastructure Business Model the Members believe that given the timescales; financial challenges; cultural changes required; inconsistency in performance management; the new systems and technology which need to be implemented; the working practice changes which have to happen and the scale of commercial change required the only viable option for the majority of services is to transfer them

to a public / public joint venture. This option provides the Council with the ability to avoid a long procurement exercise by using the teckal principle to transfer services to another public owned company. It should be noted that this recommendation suggests a general direction of travel for the Infrastructure Business Model as a whole, however, the report will go on to comment on the individual services later in the report. Partnering with one or more Public / Public Joint Venture partners would enable the Council to:

- Establish a Public / Public Joint Venture Company in advance of the start of the 2016/17 financial year;
- Retain a large degree of control over services in the new Public / Public Joint Venture Company;
- Quickly access a range of market leading systems and technology to help improve service delivery;
- Quickly access much needed commercial expertise to make the services more efficient and help generate new income opportunities;
- Trade commercially in the market without the legal trading restrictions placed against local authorities;
- Establish and refine new market leading working practices within Cardiff;
- Improve training opportunities for staff that transfer across to the new company;
- Improve performance management and benchmarking of the services by implementing established practices using industry standard systems and technology;
- Address a number of the Council's longstanding cultural issues which affect a large number of services within the scope of the Infrastructure Business Model;
- Agree an upper budget limit on the cost of delivering the services in advance of the financial year while receiving 50% of the dividend generated by the company for that year. This agreed approach allows the Council to set budgets with greater certainty;
- Ensure that the benefits and salaries of the staff who transfer to the new public / public joint venture are maintained at their current level;

- Have the potential to transfer risk including potential losses in the first years of operation, for example, waste fines and section 58 insurance claim liabilities.

The task group also explored the options of in house modification and wholly owned arms length companies in detail. There were aspects of these services which were appealing, however, successful implementation from the current position would take many years (Oxford City Council has taken seven years to get to where it is today- with the support of local unions who broke national pay agreements) and the Council would need to invest heavily in systems and commercial experience. Procurement timescales for new systems and technology implementation would also slow down the transition and development process.

Overall the Members support the implementation of a Public / Public Joint Venture for the majority of services within the Infrastructure Business Model, however, exactly how each of the services are specifically transferred are dealt with in recommendations 10 to 23 of this report.

In advocating the Public / Public Joint Venture Members were keen to stress that because of the scale of the offer in Cardiff that it would, if possible, be prudent to look to appoint more than one Public / Public Joint Venture partner. In doing this it would be sensible to reflect on the respective strengths of the available providers and work with these for the benefit of the Council.

While reviewing the range of services within the Infrastructure Business Model the task group attempted to structure the services into an operating model based on service delivery themes. They felt that three obvious themes fell out of the structure, these were:

- Waste Services;
- Facilities & Neighbourhood Management Services;
- Highways Services.

To reflect the scale of these services and the fact that they need to be properly managed the task group felt that each of the three service streams should be split into two parts; client and contractor. The client side should be used to design policy, manage performance and contract manage service delivery. The contractor side would deliver the front line services. It should be noted that this structure could be adopted by each of the five alternative delivery model options.

Recommendation 9 – High Level Structure of the Infrastructure Business Model

Members recommend that the services within the scope of the Infrastructure Business Model can be broken down into three main streams, these are:

- Waste Services;
- Facilities & Neighbourhood Management Services;
- Highways Services.

Each of the three services should be broken into two parts, i.e. client and contractor. The contractor would deliver the majority of the actual work while the client side of the service would contract manage, analyse performance, develop policy and generally manage the relationship between the contractor and Council.

Evidence gathered during the inquiry consistently pointed at the need to have a strong and effective client function to manage the new alternative delivery model. For example, staff at Norwich City Council stressed the importance of an effective client function to manage the Public / Public Joint Venture set up in the city. Many of the Public / Private Joint Venture and Outsourcing providers who attended the Soft Market Testing event in December 2014 also stated that an effective client function was important as it helped ensure that the partnership or contract was working properly and that it created a vital communication point for both parties. A client should be able to contract manage, analyse performance, develop policy and generally manage relationships between the client and contractor. Members were of the opinion

that some of the services (or parts of those services) within the scope of the Infrastructure Business Model are well placed to take over the role of the client function.

Recommendation 10 – Client Function

Many of the providers who we met with during the process were advocates of having an effective client function to manage the contract(s) from the Infrastructure Business Model. This approach promotes a good understanding between the client and contractor and helps ensure that the client (in this case the Council) gets exactly what is agreed within the contract or service specification. Members, therefore, recommend that each of the three services (Waste Services, Facilities & Neighbourhood Management Services & Highways Services) have a client team to manage the contract(s) or service specification(s) within their area. These teams should be able to contract manage, analyse performance, develop policy and generally manage relationships between the client and contractor. Members believe that some of the services (or parts of those services) within the scope of the Infrastructure Business Model are well placed to take over the role of the client function.

Considering the range of alternative delivery model options for Cardiff: Service-specific issues

a) Waste - Education & Enforcement

Risks - the review of Waste Education & Enforcement identified the following service risks:

- There appears to be a training need within the service as it is felt that not all officers are trained to the same standard of capabilities.
- The adoption of new technology & systems has been slow. Such technology & systems could be used to improve productivity and reduce costs.
- There sometimes appears to be a low focus on external environment and commercial opportunities.
- The cost of vehicles provided by the Central Transport Service has been exceptionally high, contributing to a 'vehicles and equipment' overspend of £33,364 within the service in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is also a common theme for other services within the Infrastructure Business Model.
- The service is exceptionally reliant on income from the Welsh Government Waste Grant; particularly as this is set to reduce in future.
- There are significant ongoing pressures from recycling targets, reducing budgets and future demographic growth.

Budget - the review of Waste Education & Enforcement made the following budgetary findings:

- The service appears to be managing its budget within the allocated amount and enforcement income is coming in above target. The largest area overspend against budget during 2013/14 was for vehicles & equipment.

Income - the review of Waste Education & Enforcement made the following income generation and commercialisation findings:

- The customer is not always seen as being the focus of the service. It was felt that customer care standards have driven commercial customers away. This poor customer care has in the past led to a loss of commercial customers.
- There is a low focus within the service on the external environment and commercial opportunities. These are very important areas to develop as budgets are reducing along with grant funding from the Welsh Government.
- The total of enforcement fines generated 2013/14 were circa £150,000. There is potential to make further income from issuing fines.

Culture / Staffing - the review of Waste Education & Enforcement made the following culture and staffing findings:

- Employee turnover rate is very low. The average sickness rate for the service in 2013/14 was 8.44 days per annum. This is below the Council average of 10.18 days per annum for 2013/14 and 10.11 in 2014/15.
The customer is not always seen as being the focus of the service. It was felt that customer care standards have driven commercial customers away. This poor customer care has in the past led to a loss of commercial customers.
There sometimes appears to be a low focus on external environment and commercial opportunities.

Performance Management & Benchmarking - the review of Waste Education & Enforcement made the following performance management & benchmarking findings:

- Data is collected on a wide number of services provided by Waste Education & Enforcement, for example, fine income; FPNs issued; fly tipping incidents and number that led to enforcement activity; education visits and enforcement activities – proactive and reactive. It was not clear how this information is benchmarked against other local authorities.

Regular ongoing benchmarking is an essential part of performance management and can help drive improvements in a service.

Recommendation 11 - Waste Education & Enforcement

Waste Education & Enforcement should become a part or attached to a client team within Waste Services. The client team should include resources for contract management; to write and develop waste policy and direct education and enforcement actions across the city to support waste policy where appropriate. Therefore, as a part of the client team the Waste Education & Enforcement service would remain in house. The success of the team within the structure should be reviewed on a regular basis and training standardised. The Council should retain the future option of transferring the service to the Public / Public contractor part of Waste Services.

b) Waste – Collections

Risks - the review of Waste Collections identified the following service risks:

- High sickness rates place significant pressure on the service budget – the service sickness level during 2013/14 was twice that of the APSE UK local authority waste collections average.
- There was evidence to suggest that the relationship between management and front line staff needs to improve. This it seems has slowed the adoption of new technology which is driving forward improvement of service and efficiencies in the best performing waste collection services.
- There are concerns around how the Council will collect recycled materials in future. The debate around 'kerbside sort' verses 'co-mingled' approach has created uncertainty and needs to be resolved so that the service can be properly designed for the future.
- The cost of vehicles provided by the Central Transport Service has been exceptionally high, contributing to a 'vehicles and equipment' overspend of almost £100,000 within the service in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is also a common theme for other services within the Infrastructure Business Model.
- The service needs to implement new systems and technology to improve efficiency and service delivery standards. GPS vehicle tracking technology and customer management systems are commonly used by the best performing local authorities and private sector companies. Failure to embrace this market leading technology creates a future service delivery risk for the Council.
- The service is exceptionally reliant on income from the Welsh Government Waste Grant; particularly as this is set to reduce in future.
- There are significant ongoing pressures from recycling targets, reducing budgets and future demographic growth.

Budget - the review of Waste Collections made the following budgetary findings:

- The service seems to be able to manage the expenditure budget but is failing to achieve income targets. It is also very reliant on grant income which appears to be reducing year on year.
- The service overspent on its budget in 2013/14 by £186,377. They managed to reduce expenditure against the allocated budget; however, the external income shortfall of £394,316 ultimately meant that the service overspent against budget.
- The largest income shortfall was for external income – a figure of £394,316; this figure mainly comprises commercial waste targets.

Income - the review of Waste Collections made the following income generation and commercialisation findings:

- There is an estimated commercial waste market of £12.5 million per annum in Cardiff; the Council has a market share of £3.4 million (approximately 27%). There is scope to grow this income figure; for example, Oxford City Council takes in £2.8m per annum in commercial waste income from a city with a population half the size of Cardiff.
- In 2013/14 waste collections had an income shortfall of £394,316 for external income. Most of this amount represents commercial waste income.
- The Council's commercial waste collection pricing structure is viewed as too rigid. It is felt that a more flexible pricing structure is required to make the service more competitive.
- The waste collection service is heavily reliant on grants. In 2013/14 it received £4,412,900 – most of this came from the Welsh Government Waste Grant. The Welsh Government Waste Grant is set to reduce in future years, therefore, the Council needs to do what it can to make the service less reliant on this income source.

Culture / Staffing - the review of Waste Collections made the following culture and staffing findings:

- The service has very high sickness levels – in 2013/14 23.7 days per employee were lost as a result of sickness (this equates to 10.58%). This has a large financial impact as staff shortages due to sickness have to be back filled using temporary agency cover. The APSE UK local authority average for waste collections is almost half of the Council figure at 5.3%, while the private sector average is 2.3%. Reducing sickness levels to a UK local authority average level or better would release significant budget savings.
- Employee turnover in the service is very low, i.e. staff seem to want to remain within the service. The average age of the staff working at the service is high; the experience that this adds is seen as a strength.
- The public are broadly satisfied with the waste collection service in Cardiff; although there are some concerns with customer care.
- The service has been slow to introduce new technologies. Other local authorities and private companies view these as essential to drive improvement and efficiency, for example, GPS vehicle tracking technology and customer management systems.
- Not all frontline staff swipe in and out at the start and end of the day. This must make it very difficult to accurately monitor staff attendance and sickness rates.
- The management of driver performance is seen as an issue which isn't effectively managed and which incurs a cost for the Council. New in cab technologies could be implemented to address this problem.

Performance Management & Benchmarking - the review of Waste Collections made the following performance management & benchmarking findings:

- The service is consistently measured against all other Welsh local authorities in terms of waste management performance.

- An APSE report undertaken during 2010/11 identified that the average cost of the refuse service per household was £157 in Cardiff; the UK average was £74.
- The APSE average for all staff costs as a percentage of overall spend in 2012/13 was 43.79%. The Cardiff figure for the same period was 57.41%.
- The APSE average for transport costs as a percentage of overall spend in 2012/13 was 24.76%. The Cardiff figure for the same period was 32.57%.

Recommendation 12 - Waste Collections

Waste Collections should become a part of the contractor team for Waste Services. The contractor team would also include Waste Street Cleansing, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

c) Waste - Street Cleansing

Risks - the review of Waste Street Cleansing identified the following service risks:

- High sickness rates place significant pressure on the service delivery and budget – the service sickness level during 2013/14 was 20.35 days per employee (this equates to 9.09% of overall working time). This has a direct impact on service delivery. It should be noted that sickness rates fell in quarters two and three in 2014/15.
- The service does not have a customer management system for recording customer requests and complaints. Such a system would allow the Council to more accurately monitor cleansing hotspots and better react to litter / waste issues as they arise.
- The cost of vehicles provided by the Central Transport Service has been exceptionally high, contributing to a 'vehicles and equipment' overspend of £360,239 within the service in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is also a common theme for other services within the Infrastructure Business Model.
- There are significant ongoing pressures from reducing budgets and future demographic growth.
- The Service does not currently use industry standard technology which would enable the street cleansing service to be improved and comply with recognised health and safety good practice.
- Cardiff remains one of the lowest performing Councils in respect of street cleansing when compared to other Welsh local authorities.
- Evidence was presented which suggests that the relationship between management and front line staff could be improved. This has resulted in resistance to the adoption of new technology to improve performance in line with industry standards. The resistance in addressing custom and practice issues have a direct impact on the attainment of efficiencies/reductions in costs.
- Evidence suggested that there was a need for staff to consider a more flexible approach in terms of service delivery. For example, cleansing

operatives not picking up waste bags because the task wasn't identified on their job description form.

- Difficult to generate income as the service is not competitive when compared against the private sector.

Budget - the review of Waste Street Cleansing made the following budgetary findings:

- The service has managed its finances within the allocated budget and has significantly outperformed its external income target – although large parts of the external income are for carrying out cleansing work for the housing service. The service was underspent on its net budget by a figure of £908,370 in 2013/14. It has predominantly done this by reducing staff costs by £654,841 and exceeding its external income target by £458,789. The largest budget pressure was an overspend of £360,239 for vehicles & equipment.

Income - the review of Waste Street Cleansing made the following income generation and commercialisation findings:

- There has been a low focus on external environment and commercial opportunities.
- There are opportunities to increase income through offering cleansing services to both private and public organisations. No significant research has been done to date on this matter. Work needs to be done here and there could be a need to introduce more commercial experience to the service.
- The service exceeded its income target by £484,982 in 2013/14; this was mainly due to an external income surplus of £458,789. It should be noted that a large proportion of the income was work carried out for the Council's Housing Revenue Account.

Culture / Staffing - the review of Waste Street Cleansing made the following culture and staffing findings:

- High sickness rates place significant pressure on the service budget – the service sickness level during 2013/14 was 20.35 days per employee (this equates to 9.09% of overall working time). This has a direct impact on service delivery. It should be noted that sickness rates fell in quarters two and three in 2014/15.
- Evidence was presented which suggests that the relationship between management and front line staff could be improved. This has resulted in resistance to the adoption of new technology to improve performance in line with industry standards. The resistance in addressing custom and practice issues have a direct impact on the attainment of efficiencies/reductions in costs.
- Evidence suggested that there was a need for staff to consider a more flexible approach in terms of service delivery. For example, cleansing operatives not picking up waste bags because the task wasn't identified on their job description form.
- It has been difficult to generate income as the service is not competitive when compared against the private sector.

Performance Management & Benchmarking - the review of Waste Street Cleansing made the following performance management & benchmarking findings:

- The performance of the street cleansing service is primarily measured through LEAMS surveys. However, as stated above, that these surveys do not necessarily measure the performance of the street cleansing service as the timing of the street surveys is not related to when the streets are cleansed.
- The performance of the fly-tipping removal service is measured by the time taken to remove the fly-tipping.

- With reference to the latest All Wales Report (2012/13) Cardiff was ranked joint 20th out of the 22 Welsh Councils in respect of the Cleanliness Index measured through the Keep Wales Tidy surveys; in terms of the % of street of Grade B and above, Cardiff was ranked 22 out of 22 Council's; for Zone 1 areas, Cardiff was the 5th highest Council; for Zone 2 and 3 areas, Cardiff was the 2nd lowest; the percentage of streets with dog fouling was 15.9. The average across the Welsh Council's was 13.8.
- For 2013/14 the APSE survey identified that the UK average cost of street cleansing per household was £32.13. The equivalent figure for Cardiff was £52.

Recommendation 13 - Waste Street Cleansing

Waste Street Cleansing should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

d) Waste - Treatment & Disposal

Risks - the review of Waste Treatment & Disposal identified the following service risks:

- The average sickness across the service in 2013/14 was 10.82% (24.24 Days per FTE). This high sickness rate is significant problem as it places pressure on the budget and service delivery.
- During 2013/14 the service spent £8,584,881 which was £673,468 above the budgeted amount. At the same time the service was £638,857 below its income target; this was mainly due to an external income shortfall of £648,597 (mainly due to recyclable material income). Overall the service was overspent by £1,312,325.
- Evidence suggested that the relationship between management and front line staff could be improved. This resulted in the slow adoption of new technology which would improve service performance.
- There is resistance to addressing custom and practice issues that currently adversely affect service delivery performance and attainment of efficiencies.
- The cost of vehicles provided by the Central Transport Service has been exceptionally high, contributing to a 'vehicles and equipment' overspend of almost £268,025 within the service in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is also a common theme for other services within the Infrastructure Business Model.
- The service needs to implement new systems and technology to improve efficiency and service delivery standards. GPS vehicle tracking technology is commonly used by the best performing local authorities and private sector companies. The risk for the service is the failure to embrace this market leading technology.
- There are significant ongoing pressures from recycling targets, reducing budgets and future demographic growth.

Budget - the review of Waste Treatment & Disposal made the following budgetary findings:

- The service has not managed its finances within the allocated budget and has significantly underperformed against its external income target. The service was overspent on its net budget by a figure of £1,312,325 in 2013/14. This was predominantly due to overspends against vehicles & equipment (£268,025); supplies, goods & services (£280,366) and employee costs (excluding overtime) - £269,653.
- The service is very reliant on the waste grant - in 2013/14 they received £2,630,160 which was £11,640 more than they thought that they would receive.

Income - the review of Waste Treatment & Disposal made the following income generation and commercialisation findings:

- There was an opinion that current procurement timescales often slow down or delay the income generating process and; therefore, result in a loss of income.
- The service is constantly exposed to fluctuations in the market for recycled materials. This in recent years has resulted in a large loss of income for the service.
- The service failed to meet its income target of £638,857 in 2013/14; this was mainly due to an external income shortfall of £648,597 (mainly due to recyclable material income).
- The service expects to generate £1.48 million from the sales of recycling materials. The projected income from the Bessemer Close commercial waste transfer station is £60k per annum.

Culture / Staffing - the review of Waste Treatment & Disposal made the following culture and staffing findings:

- Evidence suggested that the relationship between management and front line staff could be improved. This relationship contributed to the slow adoption of new technology which would improve service performance.
- There is a reluctance to address custom and practice issues that currently adversely affect service delivery performance and efficiencies.
- The service has an average of 24.24 days of sickness per employee per year. This is an exceptionally high level which places pressures on both service delivery and budgets.

Performance Management & Benchmarking - the review of Waste Treatment & Disposal made the following performance management & benchmarking findings:

- The service is consistently measured against all other Welsh local authorities in terms of waste management performance.
- The service has very little benchmarking information although they do understand that the out turn recycling performance is slightly lower than some of Cardiff's neighbouring local authorities.
- In general, a comparison can be made against the open market by comparing the cost per tonne of material processed at the Materials Recycling Facility; the cost of disposing at landfill and cost per tonne of handling materials through the Household Waste Recycling Centres.

Recommendation 14 - Waste Treatment & Disposal

Waste Treatment & Disposal should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

e) Highway Asset Management

Risks - the review of Highway Asset Management identified the following service risks:

- Routine repairs targets being missed by the service.
- There is a low focus on external environment and developing commercial opportunities.
- Customers are not satisfied with the quality of repair and the overall condition of the highway asset.
- There was evidence to suggest that the relationship between management and front line staff could be improved. This has led to a slow adoption of new technology to improve performance in line with industry standards.
- There appears to be a reluctance to address custom and practice issues that currently adversely affect performance delivery and the attainment of efficiencies/reductions in costs.
- There are ongoing demographic and budgetary pressures placed onto the service.

Budget - the review of Highway Asset Management made the following budgetary findings:

- The service has managed its finances within the allocated budget and has exceeded its income target. The service was underspent on its net budget by a figure of £56,764. The cost of premises was substantially lower than forecast at £206,923. Both supplies, goods & services (£202,399) and support services (£319,390) were overspent.

Income - the review of Highway Asset Management made the following income generation and commercialisation findings:

- Highway Asset Management generates the income from Highway Enforcement (2013/14 - £252,795); Street Works Notices (2013/14 - £216,290); Street referencing (2013/14 - £22,285) and Legal searches (2013/14 - £24,920).

- The service was £6,691 above its income target; this was mainly due to additional grant funding becoming available.
- There is a low focus on external environment and developing commercial opportunities.

Culture / Staffing - the review of Highway Asset Management made the following culture and staffing findings:

- Employee turnover is very low. Staff sickness appears to be well below the 2013/14 Council average of 10.18 days per employee per annum.

Performance Management & Benchmarking - the review of Highway Asset Management made the following performance management & benchmarking findings:

- The service plays a key role in monitoring the state of the Highway Asset and contract monitoring the external contractors who carry out work on the highway asset.
- Various Key Performance Indicators are utilised across the service. For example, highway repairs, inspection and street lighting.
- 2013-14 APSE data currently being compiled so that the service can compare itself against other services. The APSE Performance Indicators currently being used measure against all other Welsh local authorities.

Recommendation 15 - Highway Asset Management

Highway Asset Management should become a part of the client team within Highways Services. The client team should include resources for contract management and to write and develop highways policy.

As a part of the client team the Highways Asset Management service would remain in house. The success of the team within the structure should be reviewed on a regular basis. The Council should retain the future option of transferring the service to the Public / Public contractor part of Highways Services.

f) Highway Maintenance

Risks - the review of Highway Maintenance identified the following service risks:

- Routine repairs targets being missed by the service. Missing these repairs could result in reputational damage for the Council in terms of the quality of the highway asset.
- Customers are not satisfied with the quality of repair and the overall condition of the highway asset.
- There was evidence that the relationship between management and front line staff could be improved. This has led to the slow adoption of new technology to improve performance in line with industry standards.
- There seems to have been a reluctance to address custom and practice issues that currently adversely affect performance delivery and the attainment of efficiencies/reductions in costs.
- There are ongoing demographic and budgetary pressures placed onto the service.
- The service has been slow to accept that best value must be provided and, therefore, performance management and other associated changes have not happened as quickly as required.
- There is a reluctance to accept responsibility and take ownership at different levels of line management resulting in too many decisions being forced 'up the line'.
- Fleet and fleet management costs and inefficiencies. Vehicle breakdowns are frequent, new fleet procurement is too slow, the current fleet is ageing and maintenance costs are rising.
- The Service does not currently use industry standard technology which would enable the service to be improved and comply with recognised health and safety good practice.
- There is a low focus on external environment and commercial opportunities. The requirement to compete with the external delivery service is not always appreciated.

Budget - the review of Highway Maintenance made the following budgetary findings:

- During 2013/14 the service has managed its finances within the allocated budget and has not managed to achieve its income target. The service was underspent against its overall net budget.
- In 2013/14 employee costs and supplies were by far the highest cost elements of the service.
- Failure to meet performance standards for highway repairs results in very large insurance claims against the Council. These run at approximately £2 million per annum and place a significant pressure on the Council's overall budget.

Income - the review of Highway Maintenance made the following income generation and commercialisation findings:

- There is a view that enforced financial reductions which have resulted in a diminished service mean that the service is unable to undertake any additional work and, therefore, exploit potential income streams.
- There is a low focus on external environment and commercial opportunities. The requirement to compete with the external delivery service is not always appreciated.
- In 2013/14 the service had an income shortfall.
- In the medium term there is potential scope to insource highways capital work which is currently being contracted out to third parties. This would in effect increase internal income for the service. To achieve this the service would need to prove that it is competitive when compared to private sector contractors.

Culture / Staffing - the review of Highway Maintenance made the following culture and staffing findings:

- There was evidence which suggested that the relationship between management and front line staff could be improved. This has led to the slow adoption of new technology to improve performance in line with industry standards.
- There has been a reluctance to address custom and practice issues that currently adversely affect performance delivery and the attainment of efficiencies/reductions in costs.
- The service has been slow to accept that best value must be provided and, therefore, performance management and other associated changes have not happened as quickly as is required.
- There is a reluctance to accept responsibility and take ownership at different levels of line management resulting in too many decisions being forced 'up the line'.

Performance Management & Benchmarking - the review of Highway Maintenance made the following performance management & benchmarking findings:

- Various key performance indicators are utilised across the service, highway repair, inspection, street lighting.
- The 2013-14 APSE data is currently being compiled so that the service can compare itself against other services. APSE performance indicators are measured against all other Welsh local authorities.

Recommendation 16 - Highway Maintenance

Highway Maintenance should become a part of the contractor team for Highways Services. The contractor team would also include Infrastructure Design & Construction Management. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

g) Pest Control

Risks - the review of Pest Control identified the following service risks:

- An ICT data base needs to be introduced to improve the management of service calls.
- The cost of vehicles provided by the Central Transport Service has exceeded budget, contributing to a 'vehicles and equipment' overspend for the service in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is also a common theme for other services within the Infrastructure Business Model.
- Increased competition from the private sector could challenge some of the existing contracts that the Council currently holds, i.e. this could result in a loss of income for the service and Council.
- It is felt within the service that the loss or retirement of older staff could impact on the ability of the service to become cost neutral and / or generate a profit. The staff experience within the service was seen as an asset.
- There are significant ongoing pressures from reducing budgets and future demographic growth.
- Failure to adopt a more commercial approach and increase flexible working practices could prevent the service from growing its income levels.

Budget - the review of Pest Control made the following budgetary findings:

- The majority of service expenditure is covered by the through income generation. This leaves a net cost of approximately £64,000 for the Council to cover so that the service can continue. This could be eliminated through additional income generation.
- The task group have been informed that the service generated a surplus in 2014/15 and that improvements have been made in service delivery. They note these comments, however, given the timescales have not been able to independently verify the information.

Income - the review of Pest Control made the following income generation and commercialisation findings:

- There are currently high levels of customer satisfaction for the income generating work carried out by the service.
- Developing an improved ICT solution could make the business more profitable and in the medium term reduce costs.
- The loss or retirement of older staff could impact on the ability of the service to become cost neutral and / or generate a profit. The staff experience within the service was seen as an asset.
- A steadily growing pest control market means that there are opportunities for growth for the service in Cardiff.
- Not being able to offer the customer evening or weekend calls or timed appointments which may result in them going elsewhere.
- There has been a low focus on commercial opportunities and ways to promote service.
- Increased competition from the private sector could challenge some of the existing contracts that the Council currently holds, i.e. this could result in a loss of income for the service and Council.
- Failure to adopt more flexible working practices could prevent the service from growing its income levels.

Culture / Staffing - the review of Pest Control made the following culture and staffing findings:

- Failure to adopt more flexible working practices could prevent the service from growing its income levels.
- In 2013/14 the service had an average of 18.42 FTE days sick leave per employee. Employee turnover is described by the service as very low.

Performance Management & Benchmarking - the review of Pest Control made the following performance management & benchmarking findings:

- The service doesn't benchmark against other authorities or the private sector to establish how efficient or productive they are within their market.

This makes it difficult to assess how competitive they are and can hold back efficiency improvements.

Recommendation 17 - Pest Control

As the Pest Control service virtually covers its operating costs and because there is real potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

h) Central Transport Services

Risks - the review of Central Transport Services identified the following service risks:

- The service lacks experience in terms of managing large vehicle operations; this results in poor decisions being taken which supports failure in service delivery, and cost management.
- No suitable industry standard software is used to manage the service, for example, a FMIT package would allow for better management of costs and productivity. Unless action is taken supporting technology and software is likely to advance and leave the service further behind the times.
- Labour costs are high when compared with the private sector.
- The current in house structure of the service limits the wider external income opportunities.
- Internal demand for service is decreasing and the service is not currently in a state to effectively compete in the external market.
- There is limited communication and collaboration between the directorates; this means that there is little understanding of the operational requirements of the service areas.
- There is a poor visibility of spend, income and overheads within Central Transport Services. These need to be effectively monitored and reported.
- There is a lack of measures of customer satisfaction within the service.
- The service finds it difficult to adapt to change as a result of Council policies and processes.

Budget - the review of Central Transport Services made the following budgetary findings:

- The service had a budget overspend of £1,766,391 in 2013/14; this equates to a 19.7% overspend in the 2013/14 financial year which is a significant issue. At the point of the assessing the service in November 2014 the projected 2014/15 overspend for the service was £392,000; this illustrates a large improvement but remains a concern which in the face of ongoing budget reductions needs to be resolved in the short term.

- The budget allocated for all Central Transport Services service delivery for 2014/15 is £8,052,950.

Income - the review of Central Transport Services made the following income generation and commercialisation findings:

- Only 6% of income generated by the service is from external sources. At the time of reviewing the service work was underway to develop new income opportunities. This work urgently needs to be progressed.
- It is anticipated that internal demand for the service will reduce over time; therefore, it is essential that new external income opportunities are identified to fill the shortfall. Failure to achieve this would result in either a reduction of the service provided or complete closure with alternative options being explored.
- The Council's ability to generate additional income is limited by its legal status. By moving the service to a third party outside of the Council it would be able to trade in the same way as a private company. The only limitation to this would be where the teckal principle is used to transport work to the new body; this limits the percentage of new business that can be generated by the teckal company. This can be overcome by creating a commercial trading company which works alongside the teckal company – such a company is not restricted by percentage for the level of new business that it can generate.
- There is insufficient commercial experience which makes competing with private sector competitors for new business exceptionally difficult. To address this individuals or partners with commercial experience need to be introduced to the service – this will have a resource implication.
- New resources and systems will need to be introduced to the service to make it efficient and commercially viable. The new resources and systems will either need to be provided by the Council from its reducing financial resources or obtained by working with a partner organisation or contractor.

- There appear to be potential local market opportunities for income generation. The staff skills are deemed to be more than adequate to undertake this work; in particular they seem to be well placed to target certain niche markets, for example, private sector waste collection vehicles.

Culture / Staffing - the review of Central Transport Services made the following culture and staffing findings:

- The sickness rate is high at an average number of days lost at 15.3 days per annum; the 15.3 days per annum is above Council average of 10.18 days per annum in 2013/14. High levels of sickness impact on productivity and, therefore, the Council's budget.
- A better understanding of the operational requirements of the services that Central Transport Services supports urgently needs to be established. This should focus on improved communication and clearly defined service level agreements / contracts. Where adequate service level agreements and contracts exist they should be adhered to at all times.

Performance Management & Benchmarking - the review of Central Transport Services made the following performance management & benchmarking findings:

- The service does not have an adequate financial management system or fleet management system in place. Such systems are an essential management tool for running a service of this type. It is estimated that a suitable fleet management system would cost the Council approximately £20,000 per annum. A potential partner or contractor could already have an established financial system or fleet management system which could be adopted by the Council.
- At the time of reviewing the service there were no effective key performance indicators in place so it was impossible to compare the performance of the Central Transport Service against other local authorities. During the review process it was suggested that productivity

and operating costs were high, and therefore uncompetitive when compared against the private sector.

Recommendation 18 - Central Transport Services

Central Transport Services should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Waste Treatment & Disposal. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Members felt that Central Transport Services needed to sit within Waste Services as Waste Services is by far their largest customer. Central Transport Services has to continue to supply its existing Council customers with vehicles, therefore, the Council needs to put appropriate contracts and service level agreements in place to ensure continued service and income streams for Central Transport Services whenever possible.

i) Soft Facilities Management

Risks - the review of Soft Facilities Management identified the following service risks:

- Currently there is a lack of knowledge in critical areas such as security management.
- The end to end processes need to undergo 'Lean Review' to drive efficiencies.
- The technology used for collecting building information, mobile working and security management needs to be updated / implemented.
- It is anticipated that there will be a reduction in Council staff due to agile working and downsizing which means that in future fewer buildings will be required. If the Council building stock reduces there will be less demand and internal income for the service.
- There is not enough focus within the service on identifying and developing commercial opportunities. This means that there is a lack of ability to compete commercially in the private market. The Living Wage makes the service uncompetitive with private sector.
- Performance not currently adequately benchmarked and overall performance monitoring is insufficient.
- There is a lack of customer engagement to ensure that standards are being met.
- The service has a high sickness rate which places a financial burden on the service.

Budget - the review of Soft Facilities Management made the following budgetary findings:

- The expenditure budget for 2013/14 was £3,182,536 (£1,570,291 for Security & £1,611,549 for Cleansing). The services produced income to the value of £3,266,950 (£1,544,352 for Security & £1,722,598 for Cleansing). This means that service provided an overall surplus of £85,110. The Security part of the service runs at a loss of £25,939 and the Cleansing section of the service generates a profit of £111,049.

- The Security and Cleaning parts of the service spent approximately 96% and 81% of their budgets on staffing in 2013/14.
- At the time of writing this report the 2014/15 outturn figures were not available.

Income - the review of Soft Facilities Management made the following income generation and commercialisation findings:

- This service generated a surplus of £85,110 in 2013/14. The Security part of the service runs at a loss of £25,939 and the Cleansing section of the service generates a profit of £111,049.
- There is not enough focus within the service on identifying and developing commercial opportunities. This means that there is a lack of ability to compete commercially in the private market. The Living Wage makes the service uncompetitive with private sector.

Culture / Staffing - the review of Soft Facilities Management made the following culture and staffing findings:

- There is a lack of customer engagement to ensure that standards are being met.
- The service has a high sickness rate which places a financial burden on the service.
- The end to end processes need to undergo 'Lean Review' to drive efficiencies.
- The technology used for collecting building information, mobile working and security management needs to be updated / implemented.

Performance Management & Benchmarking - the review of Soft Facilities Management made the following performance management & benchmarking findings:

- Performance not currently adequately benchmarked and overall performance monitoring is insufficient. At the time the information was

presented data had been submitted so that benchmarking against the APSE performance framework could begin.

- No data has been input for security as APSE does not offer benchmarking for this service.
- The service understands the need to benchmark against the private sector and are looking to do this in future.

Recommendation 19 - Soft Facilities Management

As the Soft Facilities Management service makes an operating surplus and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

j) Parks Services

Risks - the review of Parks Services identified the following service risks:

- The Parks Services budget was overspent in 2013/14 by £292,510. It managed to exceed its income target by £151,604; however, this was mainly due to large amounts of 'external income' from the Harbour Authority and Housing (via the Housing Revenue Account). These are in effect internal sources of income and could potentially reduce as a result of internal and Welsh Government budget pressures. This places financial pressure on the service going forward and increases the need to raise additional income from genuine third parties.
- The cost of vehicles provided by the Central Transport Service has been exceptionally high, contributing to a 'vehicles and equipment' overspend of £232,242 in 2013/14. This is unaffordable for the future and has to be addressed. The vehicle overspend is a common theme for other services within the Infrastructure Business Model.
- The service is quite reliant on grant income which has a tendency to fluctuate.
- There is a lack of performance / management information in many areas of the service. This is compounded by an absence of 'operational' performance indicators.
- There is a lack of trading focus and commercialisation within the service.
- There has in recent years been a lack of investment in plant, machinery and vehicles. This leaves the service with an ageing vehicle, machinery and equipment fleet.
- There are significant ongoing pressures from reducing budgets and future demographic growth.
- The service needs to invest in technology & systems to improve efficiency and generate additional savings; for example, significant investment would be required to introduce mobile scheduling to the service.

Budget - the review of Parks Services made the following budgetary findings:

- The service exceeded its allocated budget for 2013/14 by £292,510. At the same time it exceeded its income target by £151,604; mainly due to an external income surplus of £211,211. Employee costs are by far the highest element of the budget. The largest service overspend against the budget during 2013/14 was for vehicles & equipment (£232,242) and premises costs (£57,282).
- The service is fairly reliant on grant income which registered an income shortfall of £59,459 in 2013/14; this is a concern.

Income - the review of Parks Services made the following income generation and commercialisation findings:

- There is a lack of trading focus and commercialisation within the service.
- The service is quite reliant on grant income which has a tendency to fluctuate.
- The service is heavily reliant on internal sources of income which could potentially reduce as a result of internal and Welsh Government budget pressures. This places financial pressure on the service going forward and increases the need to raise additional income from genuine third parties.

Culture / Staffing - the review of Parks Services made the following culture and staffing findings:

- Sickness absence levels for the 2013/14 financial year were high with an average of 15.3 days lost through sickness per employee. Employee turnover is relatively low throughout all areas of the service as conditions of employment are more favourable than private sector comparators.
- The service has been slow to adopt new technology and systems to improve efficiency and productivity; for example, there has been no implementation of mobile scheduling technology.
- There is a lack of trading focus and commercialisation within the service.

Performance Management & Benchmarking - the review of Parks Services made the following performance management & benchmarking findings:

- The service benchmarks against APSE, Core Cities and Green Spaces Wales. APSE named Cardiff as runner up for most improved Parks & Horticultural Services 2014.
- There is a lack of performance / management information in many areas of the service. This is compounded by an absence of 'operational' performance indicators.
- It has been historically difficult to identify all works carried out by the Parks Service. Without fully understanding all work undertaken it is very difficult performance manage and benchmark accurately.

Recommendation 20 - Parks Services

Parks Services should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service could be transferred into a Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management, Hard Facilities Management, Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

k) Hard Facilities Management

Risks - the review of Hard Facilities Management identified the following service risks:

- Improved management of productivity of trade workforce to reduce time taken on jobs needs to happen to increase efficiency. In doing this the overall end to end process needs to be reviewed to streamline and make activity more efficient (especially income recovery). Achieving this would include the implementation of supporting technology.
- There is a gap between resources and customer demand.
- There is a lack of visibility around productivity of the unit across the board leading to incorrect and over charging of customers.
- There are no further opportunities to generate income internally and no experience of generating income externally. Failing to improve commercialisation and generate additional income opportunities will result in a shrinking service.
- The service has access to very little performance management information. This is essential to measure performance and enable benchmarking against market leading providers.
- Customer satisfaction measures and communication need to be improved.

Budget - the review of Hard Facilities Management made the following budgetary findings:

- The total spend for 2013/14 was £12.1 million (£442,000 of which was for non statutory spend). 17.5% of the overall spend was on internal employee costs, while 74.5% was allocated to 'Buildings and / or asset rentals' which is mostly for monies paid to third parties for contractor work on Council properties.
- The 2013/14 budget for building maintenance was £3.75 million; this figure included a non schools responsive maintenance budget of £1.6 million. In addition to this there was an external contractor spend of £6.5million.

Income - the review of Hard Facilities Management made the following income generation and commercialisation findings:

- There are no further opportunities to generate income internally without insourcing work which is currently contracted out. There is no experience of generating income externally within the service.
- Failing to improve commercialisation and generate additional income opportunities will result in a shrinking service.
- The service charges a 10% management fee for client related services on asset / capital work, i.e. this is an internal income based the value of work carried out on Council buildings.
- Sub-contractors will charge a typical uplift of between 7.5% - 12.5% on top of the cost of any buildings maintenance work carried out.

Culture / Staffing - the review of Hard Facilities Management made the following culture and staffing findings:

- The service has recently been through a restructure which has led to the deletion of a number of posts; therefore, staff turnover outside of the restructure has been negligible.
- Sickness & Staff Persistency Rate - the service currently has an average of 11.89 days sick leave per employee. Trades staff used to have pay reduced if they were sick. This element of their terms & conditions changed in April 2014 - they are now on the same terms as all other Council employees.
- Improved management of productivity of trade workforce to reduce time taken on jobs needs to happen to increase efficiency.

Performance Management & Benchmarking - the review of Hard Facilities Management made the following performance management & benchmarking findings:

- The service has access to very little performance management information. This is essential to measure performance and enable benchmarking against market leading providers.
- Customer satisfaction measures and communication need to be improved.

Recommendation 21 - Hard Facilities Management

Hard Facilities Management should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service should be transferred into the Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management; Parks Services; Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

1) Projects, Design & Development

Risks - the review of Projects, Design & Development identified the following service risks:

- Better communication with the client – the service needs to better educate the client to ensure that better briefs are provided; that adequate funding is available and that sufficient time is allocated towards the work. Improvement in this area would enable projects to run more smoothly and avoid costly variations and delays.
- Staff leaving the service to work for private sector companies. For example, several younger staff have left because they believe that there are better opportunities for them in private sector organisations. This creates a loss of experience and talent which has to be replaced through training or recruitment.
- Council budget reductions could impact on the volume of projects coming forward.
- Failure to capitalise on the income generating potential of the service, for example, insourcing some of the work currently contracted out by the service.

Budget - the review of Projects, Design & Development made the following budgetary findings:

The budget for Projects, Design & Development is nil. The £1.9m operational costs will be entirely funded from fees generated from the capital budget. It is estimated that the 2014/15 spend of the service will be:

- Employee costs - £1,683,000;
- Supplies, goods and services -£ 82,000;
- Equipment and vehicles - £25,000;
- Buildings and/or asset rentals - £110,000.

Income - the review of Projects, Design & Development made the following income generation and commercialisation findings:

- Each year the service charges the capital programme for the costs of the work that it manages, i.e. capital fee income covers operational costs.
- Council budget reductions could impact on the volume of projects coming forward.
- Failure to capitalise on the income generating potential of the service, for example, insourcing some of the work currently contracted out by the service.
- A comprehensive, professional technical service is provided. End user and service area client feedback is strong and illustrates that Projects, Design & Development provides a good and competitive service.

Culture / Staffing - the review of Projects, Design & Development made the following culture and staffing findings:

- Sickness & persistency - the service currently has a sickness rate of 1.39% which is very low. Staff turnover until recently has been very low and most members of staff are long served.
- Between May and December 2014 the service lost six members of staff who left the Council to take on better external opportunities. There is a view that financial restrictions are being placed on the Council and that the market demand for designers and engineers is strong.

Performance Management & Benchmarking - the review of Projects, Design & Development made the following performance management & benchmarking findings:

- The benchmarking of the service has been limited. The only available data for 2014/15 is for CIPFA Project Fee Benchmarking which in June 2014 placed the service in the top quartile.
- A benchmarking exercise against private sector providers was carried out a few years ago and showed that the service to be the most economical route on schemes up to a value of £3 million.

Recommendation 22 - Projects, Design & Development

As Projects, Design & Development operate on a cost neutral basis and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

m) Infrastructure Design and Construction Management

Risks - the review of Infrastructure Design & Construction Management identified the following service risks:

- The service does not always have sufficient resources to fully manage and deliver all projects. For example, additional CAD technicians, quantity surveyors and project managers are often required to help complete work. This normally means bringing in external expertise and it can be a challenge to bring in the right people.
- Failing to commercialise the service to take on additional private projects and work for other public bodies.
- Staff exodus due to the Council changes that have been going on over the last two years along with growing opportunities in the private sector.
- Over reliance on in house work; in the long term a reduction of in house capital projects could result in less funding being available for the service.

Budget - the review of Infrastructure Design & Construction Management made the following budgetary findings:

- The estimated value of the contracts managed by the service in 2014/15 was approximately £15 million. The service has no impact on the Council revenue budget as it is fully funded from charges on capital funded projects. This makes the service cost neutral in terms of Council finances. 80.5% of the costs of running the service were 'employee costs'. 2% of the 2013/14 spend was for overtime.

Income - the review of Infrastructure Design & Construction Management made the following income generation and commercialisation findings:

- Most of the income generated by the service is from internal clients, although some work is carried out for the Welsh Government. There is currently a high internal demand for designs, contract management and also onsite delivery schemes. This has consistently increased over the

last four years. It is anticipated that this internal income stream will continue to rise over the next three years. The service does not currently prospect for external private work which could provide the Council with an additional income.

Culture / Staffing - the review of Infrastructure Design & Construction Management made the following culture and staffing findings:

- The service staff are professional and highly skilled. They are able to deliver a very diverse range of construction, design and project management services for the Council.
- At the point of completing the fundamental service review Infrastructure Design & Construction Management had 20 members of staff – it should be noted that this staffing level was in advance of a proposed service area restructure. The sickness level for the service in 2013/14 was 1.19% which is very low.

Performance Management & Benchmarking - the review of Projects, Design & Development made the following performance management & benchmarking findings:

- The service benchmarks customer satisfaction on its projects against the other Welsh local authorities via the CSS Wales Benchmarking Club Feedback performance measure; they currently achieve 7 out of 10. A score of 7.8 or above would move them into the top quartile. Service fees are also benchmarked through the same scheme which is externally audited by the Wales Audit Office. It should be noted that this measure is limited as many Welsh local authorities have limited programmes of work. The best comparators from this scheme are Swansea and Newport. Swansea has been reluctant to submit data in recent years and Cardiff generally performs well when compared to Newport.
- Benchmarking of the service against the private sector does not happen.

Recommendation 23 - Infrastructure Design & Construction Management

As Infrastructure Design & Construction Management is capable of generating external income and is aligned with the range of services provided with the work delivered by Highways Services the service should become a part of the contractor team for Highways Services. The contractor team would also include Highways Maintenance. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Task group feedback on the evaluation matrix document and methodology

The task group spent some time looking into how other local authorities had designed, implemented and used evaluation matrices to select an alternative delivery model for the delivery of services. The task group commissioned a Scrutiny Research report titled '*Phase 1: Evaluate the priorities for the selection of an alternative delivery model through a review of selection matrices*'. This looked at how a number of local authorities had designed, implemented and used a range of evaluation matrices. Some were very short and simple; others were very long and complex. They all, however, were used as a guidance tool and not a decision making tool, i.e. they can suggest a direction of travel but there are far too many variables involved for it to be the only factor.

During the inquiry the Infrastructure Business Model project team shared the draft evaluation matrix with the task group. The Members on the task group were satisfied with the structure and content of the document. They were happy for it to be used as a guidance tool in the alternative delivery model evaluation process.

Recommendation 24 – Evaluation Matrix

Members were satisfied with the draft evaluation matrix that the Infrastructure Business Model Project Team is proposing to use for evaluation of each of the services within the Infrastructure Business Model. They felt that it captured the main themes which need to be considered when evaluating the suitability of services against a range of alternative delivery options. The task group are, however, keen to stress that an evaluation matrix should be used for guidance and not as the decision making tool. They felt that the overall decision making process is very complex and as such any decision should be based on as wide a range of evidence as possible.

The Williams Report

The Welsh Government has commissioned the Williams Report to review the future of public services in Wales; this includes local authorities. It is anticipated that the Welsh Government will announce a changed structure for the delivery of local authority services in Wales in the near future. The Council needs to be mindful of this when restructuring services on the scale of the Infrastructure Business Model as they could have extended regional implications. As a consequence it would seem sensible for the Council to keep all interested parties updated on any proposed Council service changes, for example, Welsh Government, other neighbouring authorities and any prospective partners.

Recommendation 25 – The Williams Report

The Williams Report is currently reviewing the future of public services in Wales; this includes local authorities. It is anticipated that the Welsh Government will announce a changed structure for the delivery of local authority services in Wales in the near future. The Council needs to be mindful of this when restructuring services on the scale of the Infrastructure Business Model. It would, therefore, be prudent to keep all interested parties updated on any proposed Council service changes, for example, Welsh Government, other neighbouring authorities and any prospective partners. Taking this approach will make it easier to manage any potential future change.

Creation of Service Specifications & Division of Duties

In creating the new service specifications the Council should ensure that adequate division of duties are placed between those staff transferring to a new service and those designing the new service. It is important to obtain feedback from staff involved in running the service; however, it is also sensible to prevent them from having a completely open hand in creating a service that they might manage. Any proposals put forward from staff involved with running the service should be robustly challenged.

Recommendation 26 – Creation of Service Specifications & Division of Duties

When the Council creates specifications for each of the services it should ensure that an adequate division of duties is placed between transferring staff and those designing the new service. For example, Members felt that while it is important to obtain feedback from staff involved in running the service it is also prudent to prevent them having a completely open hand in creating a service that they will ultimately manage. The task group, therefore, recommends that any proposals that they make are robustly challenged to help create an effective division of duties.

Consultation & Transition Arrangements

The implementation of a new alternative delivery model across such a wide range of services will result in a significant change for the Council and its staff. The uncertainty could have an impact on staff morale which in turn would have an impact on services. This clearly means that the transitional period has to be managed to maintain morale and service standards.

Full consultation on the proposed model needs to take place with staff, trade unions, elected members, the public and any other relevant parties. This should include detail on the proposed model; an opportunity to ask questions on the proposed model; an opportunity for staff to visit other operations run by the provider if a partnership agreement or contract is entered into with a third party; an opportunity for trade union representatives to meet with their counterparts at operations run by the provider if a partnership agreement or contract is entered into with a third party and the opportunity for staff to have input into the new proposed model. The whole process needs to be managed through a transition plan which is designed so that people are properly informed and ensure service continuity.

Recommendation 27 – Consultation & Transition Arrangements

The implementation of a new alternative delivery model across such a wide range of services will result in a significant change for the Council and its staff. The uncertainty could have an impact on staff morale which in turn could have an impact on services. This clearly means that the transitional period needs to be properly managed so that staff morale and service standards are maintained. With this in mind the Members recommend that:

- Full consultation on the proposed model is undertaken with staff, trade unions, elected members, the public and any other relevant parties. This should include detail on the proposed model; an opportunity to ask questions on the proposed model; an opportunity for staff to visit other operations run by the provider if a partnership agreement or contract is

entered into with a third party; an opportunity for trade union representatives to meet with their counterparts at operations run by the provider if a partnership agreement or contract is entered into with a third party and the opportunity for staff to have input into the new proposed model.

- The Council creates and then implements a transition plan for all of the services within the Infrastructure Business Model. This should be designed to ensure continuity of service and agreed by all relevant parties in advance of the new model being introduced.

WITNESSES TO THE INQUIRY

The Joint Task & Finish group of the Environmental and Policy Review & Performance Scrutiny Committees undertook a scrutiny inquiry titled “Infrastructure Business Model & Alternative Delivery Options”. This exercise looked at the range of alternative delivery options and how they could be implemented in Cardiff across a wide range of services. The task group also evaluated the strengths and weaknesses of the services within the scope of the Infrastructure Business Model.

During the inquiry the task group was grateful to the following witnesses who provided verbal evidence or written contributions:

City and County of Cardiff Council witnesses

- Jane Forshaw – Director for the Environment
- Tara King – Assistant Director for the Environment
- David Lowe – Waste Operations Manager
- Pat McGrath – Operational Manager, Infrastructure & Projects
- Claire Cutforth – Operational Manager, Recycling Services
- Jane Cherrington – Operational Manager, Strategy & Enforcement
- Gary Brown – Operational Manager, Highway Maintenance
- Andy Greener – Principal Engineer – Inspection & Assessment
- Steve Robinson – Operational Manager, Commissioning & Procurement
- Chris McLellan – Senior Category Manager
- Kerry Barley – Business Analyst
- Lesley Ironfield – Operational Manager, Facilities Management
- Neville Lord - Cleaning & Support Services Manager
- Clive Riches – Building Services Manager
- Emyr Williams and Tom Foreman – Principal Research Officers
- Paul Manley - Central Transport Services
- Shaun Jamieson – County Solicitor
- Tracey Thomas - Operational Manager, HR People Partner
- Phil Dee – Operational Manager, Design & Construction Management

Trades Union Colleagues

- Angie Shiels – Cardiff GMB
- Ken Daniels – Cardiff Branch Secretary, GMB
- Robert Collins – Cardiff UCATT

External Witnesses

- Oxford City Council
 - Graham Bourton, Head of Direct Services
 - Tim Sadler, Executive Director Community Services
 - Lyn Barker, Finance Business Partner
 - Jeff Ridgley, Business Development & Fleet Manager
 - Steve Davis, Electrician / UNITE
 - Ian Morrison, Multi Trade Operative / UNISON
 - Councillor Van Coulter
- Amey
 - Mike Cafferky – Business Director, Non PFI Highways
 - James Trotter – Business Development Director Local Government
 - Dave Nicholson – HR Business Partner
 - Eddie Fellows – Network Manager, Birmingham HMMS
 - Mike Hodkinson – Business Development Manager
 - Jason Parfitt – Principal Operations Manager Birmingham PFI
 - Helen Walters – Facilitator
 - Wayne Rowley – Principal Operations Manager Solihull
 - Will Tyas – Account Manager, Birmingham HMMS
- Wellingborough Norse
 - Ricky Sinfield – Unison
 - Nicola Holden - General Manager
 - John Casserly – Managing Director
 - Fourteen line staff from Wellingborough Norse

- Borough Council of Wellingborough
 - John Campbell – Chief Executive
 - Bridget Lawrence – Head of Resources
 - Liz Elliott - Head of Finance and Section 151 Officer
 - Councillor Peter Morrall – Chair of the Wellingborough Norse Liaison Board
 - Councillor Brian Emerson - Wellingborough Norse Liaison Board

- Cormac Solutions Ltd
 - Arthur Hooper, Managing Director
 - Robin Fisher, Director

- Other External Witnesses
 - Ricky Fuller – Head of Strategic Client Services, Peterborough City Council
 - Alistair Merrick – Former Wolverhampton Council Director & Consultant
 - Ian Coventry – Environmental Services Manager at Slough Borough Council
 - Paul Sayer – Senior Union Representative, GMB
 - Bill Abbot – Senior Union Representative, UNISON
 - Graham Jermyn - Director, GYB Services at Norse Commercial Services

LEGAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without modification. Any report with recommendations for decision that goes to Cabinet / Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal power of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. standing orders and financial regulations; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

FINANCIAL IMPLICATIONS

The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications.

The financial data included in the service-specific issues section of the report has been based on the 2013-14 Outturn (Month 14) position and therefore provides a snapshot of the financial position of the relevant services at that point in time. Subsequent to that snapshot these services would have incorporated the 2014/15 and 2015/16 savings into their revenue budgets.

In the Background section of the report there is a reference to a saving of £4.3m to be delivered from the Infrastructure Business Model by the end of 2017/18. At this stage this is an indicative potential saving opportunity which will be developed during the preparation of the 2016/17 Budget, and associated MTFP.

ENVIRONMENTAL SCRUTINY COMMITTEE

TERMS OF REFERENCE

To scrutinise, measure and actively promote improvement in the Council's performance in the provision of services and compliance with Council policies, aims and objectives in the area of environmental sustainability, including:

- Strategic Planning Policy
- Sustainability Policy
- Environmental Health Policy
- Public Protection Policy
- Strategic Transportation Partnership
- South East Wales Transport Alliance
- Licensing Policy
- Waste Management
- Strategic Waste Projects
- Street Cleansing
- Cycling and Walking
- Streetscape
- Transport Policy and Development
- Intelligent Transport Solutions
- Public Transport
- Parking Management

To assess the impact of external organisations including the Welsh Government, Welsh Government Sponsored Public Bodies and quasi departmental non-governmental bodies on the effectiveness of Council service delivery. To report to an appropriate Cabinet or Council meeting on its findings and to make recommendations on measures, which may enhance Council performance in this area.

POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE

TERMS OF REFERENCE

To scrutinise, monitor and review the overall operation of the Cardiff Programme for Improvement and the effectiveness of the general implementation of the Council's policies, aims and objectives, including:

- Strategic Policy Development
- Strategic Programmes
- Community Planning & vision Forum
- Voluntary Sector Relations
- Citizen Engagement & Consultation
- Corporate Communications
- International Policy
- Council Business Management and Constitutional Issues
- Equalities
- Finance and Corporate Grants
- Organisational Development
- Fundamental Operational Review
- E-Government and ICT
- Property and Procurement
- Carbon Management
- Contact Centre Services and Service Access
- Legal Services

To scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources.

To report to an appropriate Cabinet or Council meeting on its findings and to make recommendations on measures, which may enhance Council performance in this area.

ENVIRONMENTAL SCRUTINY COMMITTEE MEMBERSHIP



Councillor Paul Mitchell
(Chairperson)



Councillor Chris Lomax



Councillor Elizabeth Clark



Councillor Keith Hyde



Councillor Roderick
McKerlich



Councillor Sarah Merry



Councillor Chris Davis



Councillor Ralph Cook

**POLICY REVIEW & PERFORMANCE SCRUTINY COMMITTEE
MEMBERSHIP**



Councillor Nigel Howells
(Chairperson)



Councillor David Walker



Councillor Jayne Cowan



Councillor Russell
Goodway



Councillor Cecilia Love



Councillor Garry Hunt



Councillor Jim Murphy



Councillor Mary McGarry



Councillor Kathryn Lloyd

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Response to Environmental and Policy Review and Performance Scrutiny Committee's Task and Finish Group Report Recommendations

Recommendation 1 – Required Speed of Change

The Council needs to save a total of £123 million by the end of the 2017/18 financial year. From this total the Infrastructure Business Model needs to provide an indicative amount of approximately £4.3 million by the end of 2017/18.

The urgency of meeting the required savings cannot be overstated; therefore, Members recommend that quick and decisive action must be taken to ensure that an outcome for the project is achieved by the end of the 2015/16 financial year. By outcome they mean that the preferred model is identified and that the option is put in place to ensure that savings are capable of being delivered from the start of the 2016/17 financial year at the latest.

Delays create cost and uncertainty which are two things that the Council cannot afford in this financially challenging period. The process will require clear objectives, concise management of change and focussed leadership

Response – this recommendation is accepted

The Cabinet recognises the importance of putting in place the necessary arrangements to achieve savings in 2016/17 and beyond at the earliest opportunity. It is believed that the implementation of the preferred alternative delivery model identified for the Infrastructure Services ADM project, that is a Wholly Owned Company subject to the completion of a Full Business Case analysis with the Modified In-house model as the base comparator, will enable this cost saving objective to be achieved. Appropriate details are set out in the Outline Business Case. Relevant factors will be subject to a more detailed analysis as part of the Full Business Case work over the forthcoming months.

Recommendation 2 – Implementation of Systems & Technology

Whatever the alternative delivery option chosen by the Council, the new model has to introduce new technology and systems to improve efficiency and working practice, for example, fleet management systems, mobile scheduling systems and customer management systems.

All of the best performing providers from across the range of alternative delivery models invest in established third party systems and technology as they improve working practice,

improve efficiency and make financial reporting and performance monitoring much quicker and easier. Once the new systems are implemented management needs to ensure that the new technology is properly used.

If the Council decides not to work with a third party partner who has immediate access to the required systems and technology then it needs to allocate funding and a sufficient timescale to implement the new systems and technology; this should factor in procurement timescales and implementation period. If the Council is serious about delivering commercially competitive services then it cannot afford to rely on primitive spreadsheets and slow financial reporting procedures.

Given the urgency and short timescales 'bespoke systems' must be avoided completely as they are expensive and difficult to amend quickly and accurately. They will consume officer time collating errors and reports for the supplier with no guarantee of success.

Response – this recommendation is accepted.

The importance of introducing new technology and systems to improve efficiency and working practice is recognised. Initial cost estimates for appropriate systems have been made and included within the high level financial modelling work undertaken as part of the as part of the Outline Business Case. These are currently being firmed up and delivery of the new systems will commence at the earliest opportunity. It is intended that 'off-the-shelf' systems be used wherever possible and appropriate but it is recognised that work will be required to ensure effective integration with both existing and other new systems

Recommendation 3 – Multi-Skilling & Training

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on the development of multi skilling and training for staff. All of the best performing providers from across the range of alternative delivery models studied made the development of multi skilling and training a central part of their operation and ethos. Effective implementation of multi skilling that is supported by work related training increases efficiency, raises productivity and boosts job satisfaction. In particular the selected model should focus on:

- *Implementing wider multi skilling duties across all services where it can be applied and where appropriate.*
- *Ensuring that an effective training programme is put in place to support multi skilling and personal development. If the Council doesn't decide to work with a third party partner that is able to immediately able to implement*

- established training schemes then it should ensure that sufficient financial resources are put in place to introduce best practice industry standard training schemes.*
- *The cost of the Council having to implement industry standard training schemes has to be built into the options appraisal for in house modification and wholly owned arms-length company.*
 - *When implementing the multi skilling approach the Council should review the practice of 'job & finish' against other industry working arrangements. For example, some of the best performing providers used 'team & finish' and other flexible working approaches to increase efficiency, productivity and reduce costs.*
 - *A proportion of the income and savings achieved from multi skilling and improved training should be reinvested back into the service in the form of additional training, new systems & technology and capital resource. This will represent an investment in staff to help ensure continuous improvement and efficiency within the service.*
 - *The new service should look to increase the use of apprenticeships and graduate placements whenever possible; appropriate training should be used to support these placements. Apprenticeships and graduate placements are used by all of the best performing alternative delivery option providers to develop the service and ensure long term continuity of skills and service.*
 - *The Neighbourhood Services Trial which the Council has recently implemented is in the process of developing multi tasking within an area based working approach. The Council needs to continue with this work right up until the point where the new alternative delivery model is put in place. The efficiencies generated should produce savings in the interim period and ensure that any Council services are in a better position to transfer to the new alternative delivery option.*

Response – this recommendation is partly accepted.

The multi-skilling of staff where appropriate and the implementation of a training plan will be key objectives of the proposed new company as well as reviewing current operating practices and amending these as required. Particular requirements will be identified within the Full Business Case analysis. The preparation of training plans will build upon on the good practice which is already ongoing in some areas of the Council, for example, the Waste Collections Service. In particular, it is intended to introduce apprenticeship training into the various front line teams which will build upon the good work that has been ongoing in Parks for many years. It is also pleasing to note the Task and Finish Group's recognition of the progress made under the Neighbourhood Services pilot. This project commenced in the South-West

neighbourhood area of the city and was recently expanded to cover other wards in the West including Cardiff West and Cardiff City and South Neighbourhood Management areas. It is confirmed that this neighbourhood approach will continue, and be further expanded across the remaining parts of the city, over the forthcoming months ahead of the proposed new company taking on responsibility for day to day management of the initiative.

The distribution of any surplus arising from the operation of the proposed company would have to be agreed with the Council as sole owner.

Recommendation 4 – Income Generation & Commercialisation

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on increased income generation and commercialisation. All of the best performing providers from across the range of alternative delivery models were focused on achieving these objectives. A commonly expressed theme was that the ability to generate external income demonstrated that the service was competitive within the market. It also provided important additional funding to support the service and other functions provided by the Council. In particular Members felt that any new model should:

- *Follow a three step approach to generating income. This means that:*
 - 1) *The new model should start by making the service efficient and competitive;*
 - 2) *Once the service is competitive it should look to insource externally contracted out work;*
 - 3) *After the contracted out work has been brought back in house the service should look to bring in new external business.*
- *The service needs to be realistic in terms of initial income generation expectations. A planned and structured approach should be adopted which would involve the creation of a detailed business plan for each of the services. The business plans should be followed during the year and reviewed at least annually (earlier if necessary). The business plans should include a clearly defined target market for new business; a strategy for approaching prospective customers; income / new business targets and a summary of resources allocated for generating new business.*
- *Once the new service is competitive it should employ a sales person to help generate new business for the Council. The service should also consider employing*

marketing expertise in the short term to help define and establish a trading brand. The sales person should be contracted to work to an agreed annual sales target.

- *If the Council decides not to work with a third party partner that has established income generation and commercialisation experience then it should allocate funding to ensure sufficient expertise is brought into the new service. The cost of the Council introducing income generation and commercialisation experience needs to be built into the options appraisal for in house modification and wholly owned arms-length company.*
- *To successfully generate new business and external income the Council needs to become less risk adverse. This means that Legal, Financial and other Corporate Support Services need to be more creative and flexible in their outlook when evaluating opportunities.*
- *The Council brand and logo should remain a key part of any trading arrangement set up as a result of the Infrastructure Business Model project. Many of the providers stressed during conversation that the Council is a locally trusted brand and that the service needs to be built around this reputation.*
- *The vast majority of income generated by services within the scope of the Infrastructure Business Model is internal. The new model needs to shift focus away from only relying on internal income and ensure all staff from senior managers to frontline staff become more professionally and commercially aware of external income possibilities. All staff essentially will be selling the service at every opportunity.*

Response – this recommendation is accepted.

It is agreed that key objectives for the new model should include the adoption of a more commercial approach and increasing external income. The three stepped approach is also agreed in principle although it should be noted that some services in scope are already competitive and successful in securing external work. For example, it is estimated that the Council's Commercial Waste Collection Service currently delivers c.30% of the Cardiff commercial waste services. It should also be noted that in terms of all of the services in scope, c11% of the 2015/16 c.£72.8m budgeted turnover comprises external income.

The OBC high level financial analysis includes both (i) a prudent approach to income generation, with a delay and a gradual build-up in third party income and (ii) for the Wholly Owned Company provision for the recurring costs of a commercially focused Director and Business Development roles. Building on from the OBC the key next

steps on the project will include the preparation of a Business Plan for the first 3 years of operation with 5 year projections. This will include a realistic external income growth plan which will take into account current/expected future capabilities and also opportunities in the market place with appropriate analysis work being undertaken to assist with the latter mentioned work. Both the governance of the proposed company, and the associated organisational structure, will be designed to ensure that opportunities for commercial growth can be maximised whilst also ensuring that the associated risks are appropriately managed and controlled. It is envisaged that the 'design' will include a 'Commercial Director' (or similar) role to drive through further commercialisation of all services. It is believed that the 'risk adverse' issue referred to by the Task and Finish Group report is determined more by the Council's constitution rather than the approach of individual Services which is a factor that can be addressed through appropriate, yet robust, wholly owned company governance.

The importance of the Cardiff brand and logo is recognised and it is intended that the new company build upon and further enhance this reputation, whilst also taking into account the experiences of other similar organisations, for example, Cormac Contracting Ltd (wholly owned company set up by Cornwall County Council) and Ansa Environmental Services Ltd (wholly owned company set up by Cheshire East County Council). Branding is recognised as a key factor to engendering a new ownership identity for staff and stimulating their innovation and assurance of greater accountability, which the relevant staff would be fully engaged in developing.

Recommendation 5 – Performance Management

Whatever the alternative delivery option chosen by the Council, the new model has to ensure that clear performance management and benchmarking is available for all parts of the service and that this information is readily available at short notice. Strong performance management and individual accountability is a common factor across the best performing providers from the range of alternative delivery options. In particular Members felt that any new model should:

- *Ensure that the contract specifications for each service include clearly defined performance objectives based on the important aspects of service delivery.*
- *Ensure that the services are benchmarked against the best performing companies or organisations within their sector. Developing a competitive service means competing against the best providers within the market and the benchmarking should reflect this fact.*
- *As a minimum services should benchmark themselves against APSE, the main UK core cities and the 22 current Welsh local authorities. The Council should attempt to provide a high quality consistent approach for the benchmarking of services.*
- *Specific quarterly performance reports should be available for all of the services within the new alternative delivery*

model. The reports should be available for review at any established Performance Management Boards, Cabinet, Scrutiny Committees and any other relevant Council group. Whenever problems are identified with the service an action plan should be put into place to resolve the matter.

- *Ensure that the services within the scope of the Infrastructure Business Model all have adequate systems and technology which allow them to quickly and easily provide the required information to populate the performance reports. If the required information isn't quickly available it makes managing the service very difficult. Whenever possible, robust 'off the shelf' systems should be employed.*

Response – this recommendation is accepted.

Robust performance management, which includes appropriate measures, will be a key success factor in the day to day management of the new company. It should be noted that many of the services within scope already undertake benchmarking with APSE, and other Councils within Wales and also the wider UK. The proposed governance arrangements and the Authority's Service Requirements will include regular reporting on key performance issues to the Board and also the Council's Cabinet and relevant Scrutiny Committees. It is intended that appropriate management systems be put in place to facilitate efficient reporting.

Recommendation 6 - Managing Cultural Issues

Whatever the alternative delivery option chosen by the Council, the new model has to address the cultural issues which are present in many of the services within the scope of the Infrastructure Business Model. Sickness rates are exceptionally high when compared against local authority and private sector averages; many of the services state that management and staff relationships are difficult; there is a reluctance within some services to adopt new technology & systems; changes to improved working practices are slow and productivity rates are low in some areas. Collectively these have a large impact on service delivery and the Council's finances. As a consequence they need to be addressed quickly. Members recommend that the following is done to address cultural issues:

- *Sickness – the new alternative delivery model has to reduce sickness levels across most of the services. The best practice providers applied a wide range of techniques and policies to manage this issue, these included:*
 - *A partnership bonus which is partially based on attendance;*

- *Not paying any sick leave for the first two days in the sickness period;*
- *Applying a more relaxed and informal approach to managing sick leave, for example, placing the emphasis on informal conversations and early support to address underlying problems;*
- *Using the Bradford Factor to manage out regular short term sickness absences.*

All of these approaches are different; however, when applied and managed properly they appear to achieve the same result. The recommendation for sickness has to be that the Council either partners with a provider with a successful track record of reducing sickness, or (if an in house modification or wholly owned arms length company is selected) resource is invested to change the current approach to match an established approach which is used by one of the best performing providers. In addition to this the sickness rates of all the services have to be consistently benchmarked against the best performing providers.

- *Members feel that moving to a new structure and approach of working will provide an ideal opportunity to establish a better working relationship between staff and management. This can only be achieved through open and transparent dialogue. All parties need to understand what their responsibilities are and the standards which are expected of them. Proper engagement with staff and trade unions is essential during a period of significant change – it would seem sensible to obtain their opinion on working arrangements and allow them to take greater personal responsibility for achieving specific goals in their working environment. Some providers achieved success in this area by reducing the burden of bureaucracy and encouraging personal responsibility; this in turn seemed to improve staff and management relationships.*
- *Members believe that it is essential for the services within the Infrastructure Business Model to embrace new systems and technology. The best performing providers all use these to improve productivity and efficiency. A failure to keep up with the latest in industry systems and technology will mean the Council's services will fall further behind. The task group, therefore, recommends that the new services adopt the latest in industry technology and systems.*

In achieving this through a partnership / contract or an in house approach it should be made clear to staff why new systems and technology are required and the consequences of failing to change.

- *A consistent theme of this report is that in future Council services need to be able to compete with the best local authorities and private sector providers. This ultimately means that efficiency and productivity have to increase. It is important to stress that Oxford Direct Services acknowledged that they needed to increase productivity in 2011 by 15% to maintain employee salaries and benefits at the same level. They achieved this through multi-skilling; better training; introduction of new systems & technology; incentivisation; good performance management & benchmarking and investment in staff and resources. They were also willing to step outside a national pay agreement to support the process – a decision which they were criticised for at the time. Members, therefore, recommend that productivity has to improve and that staff are made aware of exactly why it needs to improve.*

Response – this recommendation is accepted.

It is recognised that factors that have a negative impact upon service delivery performance, for example, high sickness absence in some Services, do need to be addressed. It is therefore intended that relevant policies be reviewed to ensure that they are 'fit for purpose' and assist in achieving organisational objectives. However, the good work that is currently ongoing to address these issues also needs to be acknowledged. For example, the sickness absence in Street Cleansing in 2014/15 was 20% less than in 2013/14. Modern technology is also being increasingly used to improve service delivery, for example, CCTV camera's are now installed on the Waste Collection vehicles to improve health and safety standards and assist with accident investigation. In 2014/15, route optimisation software assisted in the delivery of £300k savings for waste collections. A further efficiency saving of c£730k was achieved in Street Cleansing. In Highways Operations, on the back of a Director Lead Engagement Programme initiated in 2014/15, there has been an improvement in communications, relations between management and frontline staff, and also performance. The success of the engagement programme, although ongoing, can be seen through improvements in service delivery flexibility and also performance. For example, the completion of Category 2 safety repairs to the highway (within 28 days) increased from 48.69% in July 2014 to 97.26% in March 2015. Plans are also currently being drawn up to introduce further new technology, for example, mobile working technology, in all appropriate operational areas. Clearly, consultation with employees and the Trade Unions regarding this ongoing modification process, and the associated benefits, is and will continue be an important success factor.

Recommendation 7 – Financial

Whatever the alternative delivery option chosen by the Council, the new model has to help ensure that the Council improves its financial control over the services within the scope of the Infrastructure Business Model. The budgetary pressures facing the Council (£123 million of savings in three years) mean that generating savings whilst as far as possible maintaining service delivery is probably the greatest risk facing the project. When looking at the best providers in the market a number of financial characteristics and priorities became apparent, these were:

- *The Council needs to design all of the specifications for the new services using a zero based budget approach. Instead of simply relying on finding savings from historical budgets the services need to be designed from the front line up so that finances are focused completely on service delivery.*
- *The finances of each of the services need to be independent of each other in accounting terms, i.e. they each need a transparent set of accounts which are readily available. This will make it easier to accurately monitor the services, quickly identify financial issues and take action to resolve the problem.*
- *In the services where financial control is (or has been) poor new financial systems need to be put in place. Where there are obvious systems issues it would seem sensible to bring in a third party software solution which is successfully used by the market leading providers, for example, a fleet management software system needs to be implemented for Central Transport Services – this would help the service better manage all transactions and monitor fleet values.*
- *In advance of any transfer the Council needs to obtain a clear understanding of the costs of delivering all of the services within the scope of the Infrastructure Business Model. During the review of the services within scope it the financial picture of each one was not always clear. Understanding the finances of each service before transfer is essential – failure to do this could cost the Council heavily if it enters into a contract or partnership with a third party.*
- *Prior to deciding on an alternative delivery model the Council needs to be clear as to how much of a saving can be made from the selected model. This is very difficult to achieve with certainty as there are too many variables to*

consider, however, industry average benchmarks, information from the scrutiny task & finish exercise and soft market testing events should help provide a reasonable estimate.

- *To help achieve greater confidence for achieving savings the new alternative delivery model (where possible) should include some form of guaranteed savings value.*
- *The Council's current financial position means that the future budget settlements are likely to change. The new model needs to be flexible enough to accommodate any changes, for example, if the budget for a particular part of the service reduces then it is essential that there is scope to alter the service or the way in which it is delivered. A lack of flexibility around budgets and service delivery could cause the Council significant difficulties. Any contract or service level agreement that the Council agrees to has to include a financial flexibility clause.*
- *The new alternative delivery model has to be structured on a service based agreement and not an itemised delivery approach. Itemised delivery contracts tend to be very bureaucratic and expensive to manage.*
- *The task & finish group came across several examples of financial liabilities being transferred to third parties and creating financial savings for the local authority. For example, the Section 58 defence insurance liability for potholes was transferred by Cornwall Council to Cormac – to help achieve this they had to ensure that they were properly set up to manage the risks and avoid claims. Pension liabilities and other statutory target responsibilities can also be transferred to new providers at a cost. Members recommend that if practical and affordable, the Council should look to transfer as many of these financial liabilities into the new model as possible.*

Response – this recommendation is accepted.

Collectively, in 2014/15, the services in scope exceeded their budget by c.0.7% (c£212k overspend on a net budget of £29.9m) although many service areas in scope delivered a significant surplus. This does not therefore indicate that significant budgetary control issue exists. However, the importance of robust financial management, transparency between services and the need to have appropriate profit and loss financial systems is recognised. In accordance with the proposals put forward, it is intended that the necessary zero budget exercises will be completed and that appropriate financial systems are put in place to allow effective financial management. Detailed proposals will be developed during the Full Business Case work.

A high level financial analysis has been undertaken as part of the Outline Business Case work. This indicated that the Wholly Owned company would deliver the most savings to the Council. A more detailed financial analysis will be undertaken as part of the Full Business Case.

The implementation of a Wholly Owned Company will allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. One of the reserved matters which will be set out in Council/Company contract, which will include a service based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to secure changes regarding budget and service delivery.

The potential transfer of financial liabilities, such as those mentioned in the above recommendation, will also be a consideration for the Full Business Case work.

Recommendation 8 – The Main Proposed Model

Having considered the five models proposed for the Infrastructure Business Model the Members believe that given the timescales; financial challenges; cultural changes required; inconsistency in performance management; the new systems and technology which need to be implemented; the working practice changes which have to happen and the scale of commercial change required the only viable option for the majority of services is to transfer them to a public / public joint venture. This option provides the Council with the ability to avoid a long procurement exercise by using the teckal principle to transfer services to another public owned company. It should be noted that this recommendation suggests a general direction of travel for the Infrastructure Business Model as a whole, however, the report will go on to comment on the individual services later in the report. Partnering with one or more Public / Public Joint Venture partners would enable the Council to:

- *Establish a Public / Public Joint Venture Company in advance of the start of the 2016/17 financial year;*
- *Retain a large degree of control over services in the new Public / Public Joint Venture Company;*
- *Quickly access a range of market leading systems and technology to help improve service delivery;*
- *Quickly access much needed commercial expertise to make the services more efficient and help generate new income opportunities;*
- *Trade commercially in the market without the legal trading restrictions placed against local authorities;*
- *Establish and refine new market leading working practices within Cardiff;*
- *Improve training opportunities for staff that transfer across to the new company;*

- *Improve performance management and benchmarking of the services by implementing established practices using industry standard systems and technology;*
- *Address a number of the Council's longstanding cultural issues which affect a large number of services within the scope of the Infrastructure Business Model;*
- *Agree an upper budget limit on the cost of delivering the services in advance of the financial year while receiving 50% of the dividend generated by the company for that year. This agreed approach allows the Council to set budgets with greater certainty;*
- *Ensure that the benefits and salaries of the staff who transfer to the new public / public joint venture are maintained at their current level;*
- *Have the potential to transfer risk including potential losses in the first years of operation, for example, waste fines and section 58 insurance claim liabilities.*

The task group also explored the options of in house modification and wholly owned arms length companies in detail. There were aspects of these services which were appealing, however, successful implementation from the current position would take many years (Oxford City Council has taken seven years to get to where it is today- with the support of local unions who broke national pay agreements) and the Council would need to invest heavily in systems and commercial experience. Procurement timescales for new systems and technology implementation would also slow down the transition and development process.

Overall the Members support the implementation of a Public / Public Joint Venture for the majority of services within the Infrastructure Business Model, however, exactly how each of the services are specifically transferred are dealt with in recommendations 10 to 23 of this report.

In advocating the Public / Public Joint Venture Members were keen to stress that because of the scale of the offer in Cardiff that it would, if possible, be prudent to look to appoint more than one Public / Public Joint Venture partner. In doing this it would be sensible to reflect on the respective strengths of the available providers and work with these for the benefit of the Council.

Response – this recommendation is not accepted

On the basis of the Outline Business Case analysis work completed, it is believed that the most appropriate future delivery model for the services within scope of the project is a Wholly Owned Company (Teckal). The key reasons for identifying this option as the preferred future delivery model include:

- The high level financial analysis undertaken as part of the Outline Business Case work indicates that the Wholly Owned company is most likely to deliver the greatest financial benefit for the Council;
- The Wholly Owned Company can commence operation to allow the Council achieve financial benefits early in the 2016/17 period;
- It will allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. As stated above, one of the reserved matters which will be set out in Council/Company contract, which will include a service based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to secure changes regarding budget and service delivery. This is seen to be an important factor by the Cabinet;
- It will facilitate the development of a more commercialised culture and improved quality of service delivery to residents. The progress made over the last year regarding work practice modernisation, multi-skilling and improvement of service delivery, for example, on the Neighbourhood Services project, provides confidence that the required further improvements can be made within this preferred model of delivery;
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken. It is recognised that an injection of commercial expertise will be an important catalyst in respect of achieving sustainable income growth. It will ensure that all benefits are retained by the Council;
- It will ensure that all benefits are retained by the Council;
- It provides an opportunity to invest in and use industry standard systems and technology in the day to day management and delivery of services to suit the company's specific needs rather than the general needs of the Council;
- Whilst not perhaps the automatic preferred model of the Trade Unions and staff, it is preferred in relation to the other Joint Venture and Outsourcing options. Also, based on feedback provided from other Council's that have established Wholly Owned Trading Companies, it is believed that most staff will be motivated by the new culture created within the new organisation, and
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey;

Additionally, the Wholly Owned Company:

- will provide opportunity to look at different ways of working with the new Team to drive the new business forward;
- will retain jobs in the local economy and optimises the young people's employment agenda through apprenticeships ;
- provides the potential to improve the management of risk and other Council financial liabilities;
- fits with the strategic objective of the Council of becoming a commissioning organisation;
- provides future opportunities for co-ownership with other Council's which is important in respect of the Assembly's current local government agenda, and

- provides an appropriate strategic approach to achieving the required improvements, that is, if the key success criteria are not satisfied as determined through the ongoing Gateway Review Process, the necessary Company changes can be implemented or a further alternative delivery model adopted.

The key next step on this project is the completion of a Full Business Case analysis. Similarly to the Outline Business Case, this will be based on the Office of Government Commerce (OGC) "Five Case Model. However, it will comprise a more detailed consideration of the strategic, economic, commercial, financial and management factors relevant to both the Wholly Owned Company, as the preferred way forward identified by the Outline Business Case, and also the Modified In-house model as the 'base' comparator.

It should be noted that based on the research work undertaken as part of the Outline Business Case analysis, it would not be possible to establish an operational Public/Public Joint Venture any quicker than a Wholly Owned Trading Company. Although a formal procurement may not be required, it is anticipated that a significant amount of negotiation and due diligence would be required to reach a position with any potential Public JV partner(s) that is commercially and contractually acceptable to both parties. This could take longer than establishing a Wholly Owned Company and relies upon a small market interest, thereby restricting the ability to use competition to drive forward the best negotiated position for the Council.

Recommendation 9 – High Level Structure of the Infrastructure Business Model

Members recommend that the services within the scope of the Infrastructure Business Model can be broken down into three main streams, these are:

- *Waste Services;*
- *Facilities & Neighbourhood Management Services;*
- *Highways Services.*

Each of the three services should be broken into two parts, i.e. client and contractor. The contractor would deliver the majority of the actual work while the client side of the service would contract manage, analyse performance, develop policy and generally manage the relationship between the contractor and Council.

Response – this recommendation is partly accepted

It is agreed that the services in scope should be broken down into appropriate streams and that the Council would need to retain a client function to undertake certain functions (e.g. service delivery performance checks, certify payments, etc). However, the composition of the proposed streams is not agreed. Further comments are provided below under the responses to Recommendations 10 – 23 below but

further work to finalise the streams will be undertaken as part of the Full Business Case analysis.

Recommendation 10 – Client Function

Many of the providers who we met with during the process were advocates of having an effective client function to manage the contract(s) from the Infrastructure Business Model. This approach promotes a good understanding between the client and contractor and helps ensure that the client (in this case the Council) gets exactly what is agreed within the contract or service specification. Members, therefore, recommend that each of the three services (Waste Services, Facilities & Neighbourhood Management Services & Highways Services) have a client team to manage the contract(s) or service specification(s) within their area. These teams should be able to contract manage, analyse performance, develop policy and generally manage relationships between the client and contractor. Members believe that some of the services (or parts of those services) within the scope of the Infrastructure Business Model are well placed to take over the role of the client function.

Response – this recommendation is accepted.

It is agreed that the Council will need to retain a function to manage the contract with the proposed Wholly Owned Company. However, to maximise efficiency and effectiveness, it is believed that this should be a single team rather than a series of separate teams. This is an area which will be developed further as part of the Full Business Case analysis work.

Recommendation 11 - Waste Education & Enforcement

Waste Education & Enforcement should become a part or attached to a client team within Waste Services. The client team should include resources for contract management; to write and develop waste policy and direct education and enforcement actions across the city to support waste policy where appropriate. Therefore, as a part of the client team the Waste Education & Enforcement service would remain in house. The success of the team within the structure should be reviewed on a regular basis and training standardised. The Council should retain the future option of transferring the service to the Public / Public contractor part of Waste Services.

Response – this recommendation is not accepted.

Subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator, it is believed that the Education and Enforcement Team should transfer to the Wholly

Owned Company as it is now largely integrated within the Neighbourhood Services Team and also provides an essential supporting role to not only the customer, but also to the Waste Collections, Parks and Cleansing services, all of which are proposed for transfer into the Wholly Owned Company. The waste strategy function is undertaken by a separate team which is intended to remain as part of the core Council organisation as the strategy and policy making function which was not included within the scope of the infrastructure ADM project.

Recommendation 12 - Waste Collections

Waste Collections should become a part of the contractor team for Waste Services. The contractor team would also include Waste Street Cleansing, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Waste Collections service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 13 - Waste Street Cleansing

Waste Street Cleansing should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Street Cleansing service should be transferred as part of the Neighbourhood Services function, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 14 - Waste Treatment & Disposal

Waste Treatment & Disposal should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Waste Treatment and Disposal service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 15 - Highway Asset Management

Highway Asset Management should become a part of the client team within Highways Services. The client team should include resources for contract management and to write and develop highways policy.

As a part of the client team the Highways Asset Management service would remain in house. The success of the team within the structure should be reviewed on a regular basis. The Council should retain the future option of transferring the service to the Public / Public contractor part of Highways Services.

Response – this recommendation is partly accepted

It is believed that to maximise the effectiveness of 's58 defences', the Highways Asset team should transfer to the proposed Wholly Owned Company, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. However, it is currently intended that the Highways Policy function would remain as part of the Council's core organisation as required to set out the Authority's requirements. This will be an area that will be investigated in more detail as part of the Full Business Case analysis work.

Recommendation 16 - Highway Maintenance

Highway Maintenance should become a part of the contractor team for Highways Services. The contractor team would also include Infrastructure Design & Construction Management. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Highway Maintenance service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 17 - Pest Control

As the Pest Control service virtually covers its operating costs and because there is real potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Pest Control service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 18 - Central Transport Services

Central Transport Services should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Waste Treatment & Disposal. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Members felt that Central Transport Services needed to sit within Waste Services as Waste Services is by far their largest customer. Central Transport Services has to continue to supply its existing Council customers with vehicles, therefore, the Council needs to put appropriate contracts and service level agreements in place to ensure continued service and income streams for Central Transport Services whenever possible.

Response – this recommendation is partly accepted

To be aligned with its core service users and drivers, it is believed that the Central Transport Service should be transferred, to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. Its 'location' within the Wholly Owned Company organisation will be considered as part of the Full Business Case analysis.

Recommendation 19 - Soft Facilities Management

As the Soft Facilities Management service makes an operating surplus and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Soft Facilities Management service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 20 - Parks Services

Parks Services should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service could be transferred into a Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management, Hard Facilities Management, Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

Response – this recommendation is partly accepted

It is believed that the Parks service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. In view of the success of the Neighbourhood Services project, key elements on the Parks service should be closely aligned with the Street Cleansing and Waste Education/Enforcement services. This would be subject to the consideration in the Full Business Case analysis.

Recommendation 21 - Hard Facilities Management

Hard Facilities Management should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service should be transferred into the Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management; Parks Services; Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

Response – this recommendation is partly accepted

It is believed that the Hard Facilities Management service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 22 - Projects, Design & Development

As Projects, Design & Development operate on a cost neutral basis and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Project Design and Development service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. The need to establish further commercial expertise is agreed as noted in previous recommendations.

Recommendation 23 - Infrastructure Design & Construction Management

As Infrastructure Design & Construction Management is capable of generating external income and is aligned with the range of services provided with the work delivered by Highways Services the service should become a part of the contractor team for Highways Services. The contractor team would also include Highways Maintenance. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Infrastructure Design and Construction service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 24 – Evaluation Matrix

Members were satisfied with the draft evaluation matrix that the Infrastructure Business Model Project Team is proposing to use for evaluation of each of the services within the Infrastructure Business Model. They felt that it captured the main themes which need to be considered when evaluating the suitability of services against a range of alternative delivery options. The task group are, however, keen to stress that an evaluation matrix should be used for guidance and not as the decision making tool. They felt that the overall decision making process is very complex and as such any decision should be based on as wide a range of evidence as possible.

Response – this recommended is accepted

It is confirmed that the output from this evaluation tool has been considered alongside a number of other key criteria. These include the high level financial analysis and other factors impacting upon deliverability and timescale to arrive at the proposed future delivery model for the services within scope of the project.

Recommendation 25 – The Williams Report

The Williams Report is currently reviewing the future of public services in Wales; this includes local authorities. It is anticipated that the Welsh Government will announce a changed structure for the delivery of local authority services in Wales in the near future. The Council needs to be mindful of this when restructuring services on the scale of the Infrastructure Business Model. It would, therefore, be prudent to keep all interested parties updated on any proposed Council service changes, for example, Welsh Government, other neighbouring authorities and any prospective partners. Taking

this approach will make it easier to manage any potential future change.

Response – this recommendation is accepted.

The Welsh Government and neighbouring authorities will be kept informed regarding the intentions and progress of this project. This issue and the flexibility of models to adjust have been some of the other factors taken into account.

Recommendation 26 – Creation of Service Specifications & Division of Duties

When the Council creates specifications for each of the services it should ensure that an adequate division of duties is placed between transferring staff and those designing the new service. For example, Members felt that while it is important to obtain feedback from staff involved in running the service it is also prudent to prevent them having a completely open hand in creating a service that they will ultimately manage. The task group, therefore, recommends that any proposals that they make are robustly challenged to help create an effective division of duties.

Response – this recommendation is accepted.

Appropriate steps will be taken to ensure that there continues to be effective challenge on the project during the final business case and transition stages, including the development of service specifications and the like going forward.

Recommendation 27 – Consultation & Transition Arrangements

The implementation of a new alternative delivery model across such a wide range of services will result in a significant change for the Council and its staff. The uncertainty could have an impact on staff morale which in turn could have an impact on services. This clearly means that the transitional period needs to be properly managed so that staff morale and service standards are maintained. With this in mind the Members recommend that:

- *Full consultation on the proposed model is undertaken with staff, trade unions, elected members, the public and any other relevant parties. This should include detail on the proposed model; an opportunity to ask questions on the proposed model; an opportunity for staff to visit other operations run by the provider if a partnership agreement or contract is entered into with a third party; an opportunity for trade union representatives to meet with their counterparts at operations run by the provider if a partnership agreement or contract is entered into with a third*

party and the opportunity for staff to have input into the new proposed model.

- *The Council creates and then implements a transition plan for all of the services within the Infrastructure Business Model. This should be designed to ensure continuity of service and agreed by all relevant parties in advance of the new model being introduced.*

Response – this recommendation is accepted.

It is intended that the consultations with employees, Trade Unions and Members which commenced at an early stage in the project continue during the Full Business Case stage, through the proposed transition phase and also following commencement of the new operational arrangements. In terms of the consultation work undertaken to date, in particular, it should be noted that affected employees were briefed ahead of Scrutiny's Task and Finish Report being made publically available and also again ahead of Cabinet considering the Outline Business Case prepared. Contact details for Union Representatives working within the various models visited by the Scrutiny Task and Finish Group have been shared with the Trade Unions. These include contact details for Trade Union Representatives working for Ansa Environmental Services Ltd, the Wholly Owned Company set up by Cheshire East Council. The Stakeholder Engagement Plan prepared at the outset of the project has been implemented. In terms of Members, an article was included in the December 2014 newsletter and briefings were provided in the lead up to the Outline Business report being considered by Cabinet. Consultation with the public regarding the project was undertaken as part of the Cardiff Debate consultation process undertaken in December 2014/January 2015 and the results are reported during the Budget setting in February for 2015/16 and in the Infrastructure ADM Outline Business Case and the associated Cabinet report.

A transition plan will be developed as part of the Full Business Case work.

**Project Governance
Throughout the Full Business Case Stage**

Task/Milestone	Dates	Stakeholder Management	Modified In-House Model
Phase 3 – FBC Project FBC Transition Board	20/07/15-31/07/15	Stakeholder Planning Workshop 27/07/15-31/07/15	Development of Modified In-House Improvements 20/07/15-
External Project support identified and appointed	20/07/15-21/08/15	Development of Communication Plan 03/08/15-07/08/15	
PHASE 3 Project Brief –Signed off	10/08/15	Constant Engagement and Communication with all Stakeholders Throughout the Full Business Case stage	Implementation of identified and approved Modified In-House improvement actions
Due Diligence	27/07/15-30/10/15		
Due Diligence Completed	31/10/15		
Develop Full Business Case Considerations	03/08/15-31/10/15		
Develop Modified In-House Improvement Plans	03/08/15-31/10/15		
Comparison of In-House Improvements with Wholly Owned Company considerations	01/10/15-31/10/15		
Draft Full Business Case	14/10/15-29/11/15		
Draft Full Business Case Completed	30/11/15		
Forward plan for cabinet produced and submitted	01/09/15-16/09/15		
Draft Cabinet Report	02/11/15-29/11/15		
	GATEWAY REVIEW		
Draft Cabinet Report Submitted	30/11/15		
Cabinet Report and Full Business Case considered by Key	01/12/15-18/12/15		

Stakeholders and amended			
Final Full Business Case and Cabinet Report Submitted	Dec 15		
Cabinet Approval of Full Business Case recommend to Council	Jan 16 Jan/ Feb 16		
GATEWAY REVIEW			
Initiate Transition Board & Mobilisation (if WOC Approved)	Feb /16	Constant Engagement, staff TUPE Consultation and Communication with all Stakeholders Throughout the Transition and Mobilisation Phase	
Establishment of Wholly Owned Company (if approved)	Quarter 1 (16/17)		



If you are developing a strategy, policy or activity that is likely to impact people, communities or land use in any way then there are a number of statutory requirements that apply. Failure to comply with these requirements, or demonstrate due regard, can expose the Council to legal challenge or other forms of reproach.

For instance, this will apply to strategies (i.e. Housing Strategy or Disabled Play Strategy), policies (i.e. Procurement Policy) or activity (i.e. developing new play area).

Completing the Statutory Screening Tool will ensure that all Cardiff Council strategies, policies and activities comply with relevant statutory obligations and responsibilities. Where a more detailed consideration of an issue is required, the Screening Tool will identify if there is a need for a full impact assessment, as relevant.

The main statutory requirements that strategies, policies or activities must reflect include:

- **Equality Act 2010 - Equality Impact Assessment**
- **Welsh Government's Sustainable Development Bill**
- **Welsh Government's Statutory Guidance - Shared Purpose Shared Delivery**
- **United Nations Convention on the Rights of the Child**
- **United Nations Principles for Older Persons**
- **Welsh Language Measure 2011**
- **Health Impact Assessment**
- **Habitats Regulations Assessment**
- **Strategic Environmental Assessment**

This Statutory Screening Tool allows us to meet all the requirements of all these pieces of legislation as part of an integrated screening method that usually taken no longer than an hour.

The Screening Tool can be completed as a self assessment or as part of a facilitated session, should further support be needed. For further information or if you require a facilitated session please contact the Policy, Partnerships and Citizen Focus Team on 02920 72685 e-mail: nwood@cardiff.gov.uk. Please note:

- **The completed Screening Tool must be submitted as an appendix with the Cabinet report.**
- **The completed screening tool will be published on the intranet.**

Statutory Screening Tool

Name of Activity: Infrastructure Services ADM Project	Date of Screening:
Service Areas: Waste Collections (commercial and residential); Waste Treatment and Disposal; Waste Education and Enforcement; Street Cleansing; Pest Control; Parks Management and Development; Highways Operations; Highways Asset Management; Infrastructure Design and Construction Management; Central Transport Service; Hard Facilities Management; Soft Facilities Management – Cleaning, Soft Facilities Management – Security; Projects; Design and Development	Lead Officer: Andrew Gregory Director Strategic Planning, Highways, Traffic and Transport
Attendees: None. Screening completed by Kerry Barley, Business Analyst	

What are the objectives of the Project	Please provide background information on the Project and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]
<p>The project has been assigned the task of facilitating a savings opportunity of at least £4.3 million over the MTFP, and will look to achieve this by undertaking a wholesale review of the services in scope of the project, in order to determine if the level of savings can be achieved by utilising an ADM or range of ADMs for the delivery of the services in scope.</p> <p>This screening assessment has been prepared for Phase 2 of the project where the output will be an Outline Business Case, making recommendations for suitable delivery model(s) to be implemented for the services in scope. The assessment will therefore be considering the potential impacts of this phase of the project.</p>	<p>Phase 1 of the project was completed in November 2014 when a Cabinet Report was submitted, resulting in the number of models being considered reducing from seven to five and permission being granted to carry out a soft market testing exercise. It was also advised that Phase 2 would be completed with the submission of an Outline Business Case, making recommendations for which model(s) should be used to deliver the services in scope to achieve the required savings opportunity.</p> <p>In regards to Phase 1 an EIA and PIA were completed and submitted accordingly.</p> <p>It is envisaged that Phase 3 (the development of a Full Business Case for identified Models) and (Phase 4 Implementation of the identified models) will result in a more comprehensive screening assessment. This is when potential impacts considered by the screening assessment will be better understood.</p>

Part 1: Impact on outcomes and due regard to Sustainable Development

Please use the following scale when considering what contribution the activity makes:		
+	Positive	Positive contribution to the outcome
-	Negative	Negative contribution to the outcome
ntrl	Neutral	Neutral contribution to the outcome
Uncertain	Not Sure	Uncertain if any contribution is made to the outcome

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
Page 472	1.1 People in Cardiff are healthy; <i>Consider the potential impact on</i> <ul style="list-style-type: none"> the promotion of good health, prevention of damaging behaviour, promote healthy eating/active lifestyles etc, vulnerable citizens and areas of multiple deprivation Addressing instances of inequality in health 				✓	
	People in Cardiff have a clean, attractive and sustainable environment; <i>Consider the potential impact on</i> <ul style="list-style-type: none"> the causes and consequences of Climate Change and creating a carbon lite city 				✓	
	<ul style="list-style-type: none"> encouraging walking, cycling, and use of public transport and improving access to countryside and open space 				✓	
	<ul style="list-style-type: none"> reducing environmental pollution (land, air, noise and water) 				✓	
	<ul style="list-style-type: none"> reducing consumption and encouraging waste reduction, reuse, recycling and recovery 				✓	
	<ul style="list-style-type: none"> encouraging biodiversity 				✓	
1.3	People in Cardiff are safe and feel safe; <i>Consider the potential impact on</i> <ul style="list-style-type: none"> reducing crime, fear of crime and increasing safety of individuals addressing anti-social behaviour protecting vulnerable adults and children in Cardiff from harm or abuse 				✓	

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
1.4	Cardiff has a thriving and prosperous economy; <i>Consider the potential impact on</i> <ul style="list-style-type: none"> • economic competitiveness (enterprise activity, social enterprises, average earnings, improve productivity) • Assisting those Not in Education, Employment or Training • attracting and retaining workers (new employment and training opportunities, increase the value of employment,) • promoting local procurement opportunities or enhancing the capacity of local companies to compete 				✓	
1.5	People in Cardiff achieve their full potential; <i>Consider the potential impact on</i> <ul style="list-style-type: none"> • promoting and improving access to life-long learning in Cardiff • raising levels of skills and qualifications • giving children the best start • improving the understanding of sustainability • addressing child poverty (financial poverty, access poverty, participation poverty) • the United Nations Convention on the Rights of a Child and Principles for Older persons 				✓	
1.6	Cardiff is a Great Place to Live, Work and Play <i>Consider the potential impact on</i> <ul style="list-style-type: none"> • promoting the cultural diversity of Cardiff • encouraging participation and access for all to physical activity, leisure & culture • play opportunities for Children and Young People • protecting and enhancing the landscape and historic heritage of Cardiff • promoting the City's international links 				✓	

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
Page 474	1.7 Cardiff is a fair, just and inclusive society. Consider the potential impact on <ul style="list-style-type: none"> the elimination of discrimination, harassment or victimisation for equality groups 				✓	
	<ul style="list-style-type: none"> has the community or stakeholders been engaged in developing the strategy/policy/activity? how will citizen participation be encouraged (encouraging actions that consider different forms of consultation, through more in depth engagement to full participation in service development and delivery)? 	✓				Questions in regards to the Infrastructure ADM Project were included within the Cardiff Debate exercise, and consideration of the output from this will be included within the Outline Business Case. This is considered a positive impact as citizens have been made aware of the project and have also had the opportunity to provide input via the consultation exercise.
	Will this Policy/Strategy/Project have a differential impact on any of the following:					<i>Please give details/consequences of the differential impact (positive and negative), and what action(s) can you take to address any negative implications?</i>
	<ul style="list-style-type: none"> Age (including children and young people aged 0-25 and older people over 65 in line with the United Nations Conventions) 			✓		
	<ul style="list-style-type: none"> Disability 			✓		
	<ul style="list-style-type: none"> Gender Reassignment 			✓		
	<ul style="list-style-type: none"> Marriage & Civil Partnership 			✓		
	<ul style="list-style-type: none"> Pregnancy & Maternity 			✓		
	<ul style="list-style-type: none"> Race 			✓		
	<ul style="list-style-type: none"> Religion/Belief 			✓		
	<ul style="list-style-type: none"> Sex 			✓		
	<ul style="list-style-type: none"> Sexual Orientation 			✓		
<ul style="list-style-type: none"> Welsh Language 			✓			
		Yes	No			
Is a Full Equality Impact Assessment Required?			✓			
Is a Full Child Rights Impact Assessment Required			✓			

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
1.8	<p>The Council delivers positive outcomes for the city and its citizens through strong partnerships</p> <p><i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> <i>strengthening partnerships with business and voluntary sectors</i> <i>the collaboration agenda and the potential for shared services, cross-boundary working and efficiency savings</i> 	✓				<p>Phase 2 of the project has involved the use of Local Partnerships (an organisation part owned by both the Treasury and Local Government Association) as an critical friend, for the Outline Business Case and Evaluation Methodology.</p> <p>Phase 2 of the project has also tasked service areas in scope with producing improvement plans to clarify what their modified in house models could look like. Within the actions identified there is considerations of providing services across boundaries and for other quasi-public bodies in the surrounding area, evidence of looking to find further efficiency savings and also considerations of asset transfer and making better use of voluntary groups.</p>

SUMMARY OF APPRAISAL (highlight positive and negative effects of the policy / plan / project being assessed, demonstrating how it contributes to the economic, social and environmental sustainability of the city):

The appraisal is predominantly of a neutral/uncertain nature as it is considering Phase 2 of the ADM Infrastructure Services project, where the main output is the production of an Outline Business Case proposing the most suitable model(s) for delivery of the services in scope whilst also achieving a savings opportunity of at least £4.3 million.

Developing a Full Business Case where required and implementing the recommended model during Phases 3 and 4 of the project, will certainly deliver towards the economic sustainability of the city and the Council. It is likely there will also be linked impacts on social and environmental factors. However it is during stage 3 and 4, and the screening documents produced at these stages where more detail and a more in depth appraisal will be able to be completed.

WHAT ACTIONS HAVE BEEN IDENTIFIED OR CHANGES BEEN MADE TO THE POLICY / PLAN / PROJECT AS A RESULT OF THIS APPRAISAL:

None

Part 2: Strategic Environmental Assessment Screening

		Yes	No
2.1	Does the plan or programme set the framework for future development consent?		✓
2.2	Is the plan or programme likely to have significant, positive or negative, environmental effects?		✓

Is a Full Strategic Environmental Assessment Screening Needed?	Yes	No
<ul style="list-style-type: none"> ▪ If yes has been ticked to both questions 2.1 and 2.2 then the answer is yes ▪ If a full SEA Screening is required then please contact the Sustainable Development Unit to arrange (details below) 		✓

If you have any doubt on your answers to the above questions regarding SEA then please consult with the Sustainable Development Unit on 2087 3228 sustainabledevelopment@cardiff.gov.uk

Part 3: Habitat Regulation Assessment (HRA)

		Yes	No	Unsure
3.1	Will the plan, project or programme results in an activity which is known to affect a European site, such as the Severn Estuary or the Cardiff Beech Woods?		✓	
3.2	Will the plan, project or programme which steers development towards an area that includes a European site, such as the Severn Estuary or the Cardiff Beech Woods or may indirectly affect a European site?		✓	
3.3	Is a full HRA needed?		✓	

Details of the strategy will be sent to the County Ecologist on completion of the process to determine if a Habitat Regulation Assessment is needed. For further information please phone 2087 3215 or email biodiversity@cardiff.gov.uk

Appendix 1 – Statutory Requirements

It is possible that the Impact Screening Tool will identify the need to undertake specific statutory assessments:

- **Equality Impact Assessment:** *This assessment is required by the Equality Act 2010 and Welsh Government’s Equality Regulations 2011.*
- **Sustainable Development Bill:** *The Bill, when it comes into effect, will require sustainable development (SD) to be a central organising principle for the organisation. This means that there is a duty to consider SD in the strategic decision making processes.*
- **Shared Purpose Shared Delivery-** *The Welsh Government requires local authorities to produce a single integrated plan to meet statutory requirements under a range of legislation. Cardiff Council must therefore demonstrate its contribution towards Cardiff’s own integrated plan; “What Matters”.*
- **United Nations Convention on the Rights of the Child:** *The Children Act 2004 guidance for Wales requires local authorities and their partners to have regard to the United Nations Convention on the Rights of a Child.*
- **United Nations Principles for Older Persons:** *The principles require a consideration of independence, participation, care, self-fulfillment and dignity.*
- **The Welsh Language Measure 2011:** *The measure sets out official status for the Welsh language, a Welsh language Commissioner, and the freedom to speak Welsh.*
- **Health Impact Assessment:** *(HIA) considers policies, programmes or projects for their potential effects on the health of a population*
- **Strategic Environmental Impact Assessment:** *A Strategic Environmental Assessment (SEA) is an European Directive for plans, programmes and policies with land use implications and significant environmental effects.*
- **Habitats Regulations Assessment:** *The Conservation (Natural Habitats, &c.) (Amendment) Regulations 2007 provides a requirement to undertake Habitats Regulations Assessment (HRA) of land use plans.*

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

NEW HOUSEHOLD WASTE RECYCLING CENTRE AND RE USE FACILITY

REPORT OF DIRECTOR OF CITY OPERATIONS

AGENDA ITEM: 9

PORTFOLIO: ENVIRONMENT (COUNCILLOR BOB DERBYSHIRE)

Reason for this Report

1. To seek approval of the report recommendations on the future of the re-organisation of the Household Waste Recycling Centres and a Re Use Facility in Cardiff.

Background

2. Cardiff Council has a statutory responsibility to the residents of Cardiff to provide Household Waste Recycling Centres (HWRC's). The Welsh Governments (WG) collection and infrastructure blueprints state that HWRCs should achieve 80% recycling performance. To 2013/14 the HWRCs performance was 61% and this improved to 66% 2014/15. The approved Recycling and Waste Management Strategy 2015 (approved by Cabinet April 2015) identified further steps that the Council should take to achieve the required performance.
3. Phase 2 of that strategy makes clear that new markets and reuse options must be found to deliver an additional 5000 tonnes of recycle, by:
 - a. Implementing the two larger HWRCs sites; with stronger controls for cross boundary visitors, van users and to reallocate resource to provide assistance to the public to recycle more.
 - b. Increasing the reuse potential at the HWRCs and across the service.
 - c. Securing new recycling markets such as carpets, mattresses and hygiene waste to recycling.
4. This Cabinet report explains the options and proposals for the future of Cardiff's Household Waste Recycling Centres and a Re-Use Facility, these include:
 - Details of the final stage of implementing the decision of the 2014/15 Budget Report that approved that the number of

Household Waste Recycling Centres would reduce from four sites to two larger sites, by the Spring of 2016.

- Details of the consultation and decision making process around deciding on the location of the second larger Household Waste Recycling Centre for Cardiff, i.e. reviewing the options around the potential Wedal Road and Lamby Way sites.
- Proposals around the implementation of seasonal opening hours as approved during the 2015/16 budget report February 2015. The current HWRC sites operate twelve hours per day, 363 days per year. The actual hours proposed to operate these sites are: twelve hours a day in the Summer and eight hours a day in the Winter, when demand is lower. Implementing these opening hours would mirror the approach taken by most of the other Welsh local authorities and assist in achieving the planned 2015/16 savings.
- Plans to reduce treatment and disposal costs whilst expanding income and commercial options for Household Waste Recycling Centres in Cardiff, may be implemented.
- Proposals to implement further recycling improvements, including the provision of a re-use facility, whilst considering how Cardiff residents and those from outside the Cardiff area are able to access the Household Waste Recycling Centres and the Commercial waste transfer stations.

Issues

Site Location

5. A capital budget has been approved for the construction of the new larger HWRC site. The potential new larger site was initially assessed for viability at the current Parks operational sit at Wedal Road.
6. Following the required environmental assessments and pre-planning consultation for the new larger site, a number of resident concerns were raised around the proposed increased numbers of site users, the associated additional volumes of traffic inside and outside of the site, operational noise and why the new site is not located in a non-residential area like the Bessemer close HWRC. Some concerns have been raised not only during the recent assessments, but also over the years regarding the current smaller HWRC at Wedal Road site.
7. Although mitigations to these issues could be designed and managed within the new larger site, a review of an alternative location at the Recycling Waste Management Services main depot at Lamby Way, Rumney, was undertaken to re-explore whether a viable alternative was feasible.

8. Therefore, an alternative site solution, at Lamby Way has been appraised on engineering, environmental, planning and waste permitting matters as follows:
9. The new Wedal Road HWRC Pros's and Cons:
 - a) The site footprint is large enough to accommodate the site design requirements. Site operations would have 20 recycling waste and large skips plus other smaller recycling containers.
 - b) The sites location is 100 metres east of the current Wedal Road HWRC and so impact of location for the existing site users is minimal to the current site.
 - c) A new planning application would be required for a change of use for the new site for waste management activities.
 - d) As part of the new planning application requirement, the environmental impacts of the new site proposal were assessed for Air Quality Assessment, Bat Survey, Ecological Survey, Landscape Review, Noise Acoustic Assessment and Traffic Assessment.
 - e) It is clear that local residents would resist a new larger facility based on the historic noise and traffic complaints of the current smaller site. This would lead to a delay in the planning process and delay the project completion date and subsequent savings.
 - f) A new full waste management permit application would be required.
 - g) The current and new site at Wedal Road would require the waste and recycling arising to be collected and transported to Lamby Way. When skips are full, site closures result and residents are directed to other facilities.
10. A new Lamby Way HWRC Pro's and Con's
 - a) The site footprint is large enough to accommodate the site design requirements. Site operations would have 20 recycling and waste large skips plus other smaller recycling containers.
 - b) The site's location is adjacent to the current Lamby Way HWRC and so impact of location for the current site users is nil.
 - c) A Traffic Assessment was completed with no further action required to the current infrastructure; traffic impact is therefore negligible on current flows.
 - d) The new HWRC would replace an existing HWRC and form part of the existing larger waste and recycling facilities at Lamby Way, a planning amendment to the current planning permission would be required, rather than a full new planning permit.

- e) In line with d) above, a waste management permit variation would be required rather than a full new permit, which would be a shorter timeframe and lower cost.
 - f) Site operations based at Lamby Way would result in the waste and recycling being brought to the main treatment depot directly and would reduce operational costs and eliminate the risks of site closures due to skips being full. Operational continuity and efficiency is greatest in this location.
 - g) There are no adjacent residents - the nearest residents are Brachdy Lane and Pengam green who are a kilometer or more away and there are no identified traffic impacts to business' in the area.
 - h) The site is further away from some users of Wedal Road. However, the travel time addition is approximately 10 minutes, depending upon time of day, this could compare to previous experience by site users of long queues at Wedal Road.
 - i) Developing this location as opposed to Wedal Road Parks depot would offer some relief to the traffic and noise issues experienced around Wedal Road and Fair oak Road junctions.
11. On the basis of overall project deliverability and risk and ease of access, it is proposed that the Lamby Way site is the preferred site location for the new HWRC that would be operational Spring 2016. The existing Parks depot will continue to be evaluated for its longer term future use as part of a wider asset rationalisation programme assessing all operational depots across City Operations and taking account of potential strategic uses for infrastructure needs of the City.
12. Subject to the agreement of the recommendations of this report, detailed communications on the implementation plans for the changes would commence with Ward Members and residents leading up to the closures of the Old Wedal Road and Lamby Way facilities once the new site completes construction. The communications plan will include:
- Route plans including travel distances and travel times from Wards to the North, North East and East of Cardiff to the current Bessemer Close HWRC in Grangetown and the Lamby Way site in Rumney. See attached Appendix A1 and A2.
 - Site closure date for the Wedal Road HWRC, Spring 2016
 - Site signage information to be placed at Wedal Road 1 month ahead of the planned closure date
 - Site opening date for the new Lamby Way HWRC
 - Staff engagement on the designs at Lamby Way
 - Contact names and telephone numbers for any further enquiries
 - Website and literature to be updated and all relevant information including the nearest site information.

Budget

13. The Council's 2014/15 Budget Report approved that the number of Household Waste Recycling Centres will reduce from four to two. The Waungron Road HWRC site was closed as planned on 27 April 2014 reducing the number of sites from 4 to 3. Residents were directed to the remaining 3 sites at Bessemer Close, Lamby Way and Wedal Road. Data shows that there were no adverse affects to fly tipping demand and that total volumes of recycling and waste received at the remaining sites increased. This was noted at Environmental Scrutiny on 9 June 2015.
14. The Council's 2015/16 Budget Report approved a capital budget of £1.6 million for Household Waste Recycling Centres to enable two large sites to be completed and upgraded. Money in 2014/15 has been invested in site design and evaluations of construction contracts. The Budget also approved a revenue saving of £42,000 as a result of the reduction of the sites opening hours in line with 12 hours per day in the Summer and Winter opening for 8 hours. The savings would be generated from the deletion of two vacant posts and operational reductions. This would be implemented by November 2015.

Subsequent Closure of Existing HWRC Sites

15. On completion and operational opening of the new HWRC at Lamby Way in spring 2016, the smaller HWRC site at Wedal Road site will close.
16. The existing Wedal Road site will return to Strategic Estates for the site to be considered in line with the Council's Corporate Asset Management Plan and future strategic infrastructure needs for the City.
17. The existing HWRC land at Lamby Way will be utilised for alternative waste management smaller operations.
18. It is very clear that a comprehensive communications plan to residents is essential and must be implemented before, during and after the closure of the Wedal Road site. This will be managed through a comprehensive communications plan as outlined in paragraph 12 above that will include routes from locations across Cardiff to the two larger facilities at Bessemer Close and Lamby Way. A post code tool will be available for residents to use to identify their nearest improved HWRC site.
19. In terms of risks to fly tipping tonnage and HWRC site usage, this was closely monitored after other site closures. Despite concerns of residents regarding potential fly-tipping, no significant changes in fly-tipping were recorded and the overall tonnages handled by the three remaining sites actually increased by 7%, as did recycling performance, increasing from 61% in 2013/14 to 66% in 2014/15.

Implementation of Seasonal Opening Hours

20. The current sites operate 12 hours per day, 7 per week only closing on Christmas Day and New Years Day.

21. It is proposed that the sites operate 12 hours per day, seven days per week during British Summer Time and 8 hours per day, seven days per week in British Winter Time when demand is lower. The summer opening hours would start earlier in the years that the Easter Holidays fall within March, to accommodate busy bank holiday periods. These operating times mirror the approach taken by most of the Welsh local authorities.
22. The operational savings will assist in achieving the service area saving in 2015/16 and onwards.
23. Consultation with trade unions and operational staff will be undertaken in respect of staff implications.

Commercial Charging for Non Cardiff Residents

24. Through a number of site surveys, it is clear that non-Cardiff residents are using the HWRC free of charge. At Bessemer Close alone, 17% of the site users have been identified as from a neighbouring Local Authority. Overall an independent cross boundary survey (Regional HWRC Use Assessment, Appendix B) identified 11% of all site users were not from Cardiff. The report suggested that such cross border movements could be costing the Council in excess of £430,000 a year. Surrounding authorities experienced between 2%-5% cross boarder movements.
25. Equally, public consultation conducted in December 2014 shows support for providing facilities for Cardiff only residents. Only 25% of those surveyed said the HWRCS should be free for all people to access regardless of whether they live in Cardiff or not.
26. It is proposed therefore that residents from outside of Cardiff are directed to the chargeable commercial weighbridge on site and provided guidance on their own Council's recycling waste facilities. In order to establish residency, an existing Cardiff identification of residence would be requested, such as an active leisure card, library card or utility bill. All sites are fitted with the Automatic Vehicle Number Plate Recognition (ANPR) system (the same as those used at petrol stations and car parks) which will periodically be used to confirm addresses and potentially identify commercially registered vehicles.
27. If the restriction enabled circa 3,000 tonnes of material per year to be relocated to the appropriate authorities, then a minimum of c£150,000 per year could be saved on recycling and treatment costs. An income of £5,000 per year could be achieved by those residents choosing to use the weighbridge that has affordable waste and some of the recycling charges.
28. The introduction of a commercial waste recycling centre in March 2014 has generated in its first year, an income of £120,000 and managed 2,298 tonnes, with a significant proportion being recycled.

income increases are expected from this approach of generating higher commercial use. It is proposed to implement these changes with immediate effect.

Reuse Facility through Third Party Operator

29. Within the waste recycling and items that are received at the HWRC's, a significant amount of these items could be reused if they were segregated, electrically tested, kept in dry storage where appropriate, cleaned and made available back to residents at an affordable charge. The up-cycling of items can also promote employment and many social benefits.
30. Across the country, the numbers of reuse facilities are increasing and are very popular with residents. In the Recycling Waste Strategy consultation 77% of those surveyed supported the idea of a reuse shop and said they would use such a facility. It is proposed that a solution is sought from the market and self funded through a third sector operator, with the necessary skills, experience and community connections. As part of the process to select an operator it is also intended that the operator would contribute to the City's waste minimisation and reuse activities as well as delivering clear community and social benefits.
31. It is therefore proposed that the strategy to ensure best value and social benefit to the Council and proposed selection process (including the strategy and evaluation criteria) of the third party contractor and all ancillary matters be delegated to the Director of City Operations and the Corporate Director Resources in consultation with the Cabinet Members for Environment and Corporate Services and Performance.
32. Significant savings on waste, recycling, waste treatment and disposal with increased reuse would be achieved as well as providing a supply of quality affordable household items for communities.
33. The location of this facility is to be determined as part of the strategy and all options would be explored including assets which may be offered to and by the market for use.

Engagement with Environmental Scrutiny

34. The progress of the HWRC strategy to deliver two supersites has been the subject of a number of Environmental Scrutiny meetings as part of the Recycling Waste Strategy consultations, the Budget pre-decision Scrutiny for Environment and as a pre-decision scrutiny for this report. All engagement has been welcomed and has helped shape the proposals of this report. The most recent letter from the Chair of Environmental Scrutiny and the Cabinet Member for Environment's response are attached as Appendices C and D.
35. The proposals of the two options were considered by the Committee and it was noted that proximity of Wedal Road to users in the North was an advantage, but proximity to immediate housing was a concern and that

Lamby Way had benefits of improved deliverability and being away from immediate housing. The Chair requested that officers check the travel data, in order that the travel distances and times may be confirmed as correct or corrected. This exercise has been completed and is reflected in the response in the letter at Appendix D from the Cabinet Member for Environment to the Chair and on the maps contained in Appendix A.

Local Member consultation

36. Local Ward Members in Rumney and Cathays have been initially consulted on the recommendations regarding location. Detailed consultation with Ward Members will be required and will continue throughout the project delivery, subject to the Cabinet decision.

Reason for Recommendations

37. To progress with the construction of the new larger HWRC and complete the reduction of the number of sites from 3 to 2.
38. To progress the required changes to increase recycling, reduce the residual waste arising, reduce treatment and disposal costs, increase income opportunities, achieve the required operational savings and introduce a new re-use solution for good quality unwanted items for communities.

Financial Implications

39. The 2015/16 Budget included a saving of £42,000 from reduced operating hours at the two remaining HWRCs. Any delay in moving to the two HWRC site arrangements may compromise the Directorate's ability to make this saving. If approved by Cabinet, restricting waste from non-Cardiff residents will reduce recycling, treatment and disposal costs which based on the tonnage projections in this report should offset any saving shortfall from the delay in moving to the new HWRC.
40. The assumption with the Re-use solution is that it will be self-funding. The operator has not yet been procured and consequentially the risk remain that self-funding may not be a viable option. The Business case for this facility will need to be reviewed during its procurement to ensure it remains achievable from the Council's perspective.
41. The Capital Programme allocation for 2014/15 was £1.712 million but due to spend of £125,000 being incurred in 2014/15 the remaining allocation is £1.587 million. The Directorate has confirmed that this is sufficient to cover all fees, infrastructure works, alternative car parking provision, signage and emptying of former HWRC and creation of new HWRC but this will be subject to the outcome of the tender exercise.
42. The proposal includes the closure of Wedal Road and its transfer to Strategic Estates so best use of the land can be identified. Any proceeds from the disposal of the site will be used to support the affordability of the

Capital Programme. Any disposal should be undertaken promptly to avoid ongoing revenue implications of holding costs in relation to the site.

43. The report indicates that the longer term future use of the parks depot will be evaluated for its longer term use. Proceeds from the disposal of the site were initially assumed to pay towards the construction cost of the new Central Transport Depot at Coleridge Road.

Legal Implications

44. As set out in the report, the Council has a statutory duty (under the Environmental protection Act 1990) to provide places for residents in its area to dispose their household waste. Any such place must be situated in its area or be reasonably accessible and must be open at all reasonable times.
45. The Act also allows the Council to charge those not resident in its area to deposit household or controlled waste.
46. With regards the procurement of the re-use facility, further legal advice should be sought prior to commencement, in particular on the process and method of procurement. It is possible to include social and community benefits either within the procurement or contract provided they are relevant to the contract.
47. The Council has to satisfy its public sector duties under the Equalities Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties Councils must in making decisions have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics
48. Protected characteristics are:
 - Age
 - Gender reassignment
 - Sex
 - Race - including ethnic or national origin, colour or nationality
 - Disability
 - Pregnancy and maternity
 - Marriage and civil partnership
 - Sexual orientation
 - Religion or belief - including lack of belief
49. As such decisions have to be made in the context of the Council's equality act public sector duties.
50. The report identifies that an Equality Impact Assessment has been carried out and is appended to this report. The purpose of the Equality Impact Assessment is to ensure that the Council has understood the potential impacts of the proposal in terms of equality so that it can ensure that it is making proportionate and rational decisions having due regard to its public sector equality duty.

51. The decision maker must have due regard to the Equality Impact Assessment in Appendix E in making its decision.
52. The report also sets out the consultation undertaken with the public. Any consultation must be adequate and fair. The decision maker should also have regard to such consultation when making its decision.

HR Implications

53. Initial consultation has taken place with Employees and Trade Unions and this will continue once a formal decision has been made. Corporately agreed policies will be followed during the implementation of the decision to ensure that employees are treated fairly and equitably.

RECOMMENDATIONS

Cabinet is recommended to:

1. Approve the location of the new larger HWRC at the Lamby Way Depot in Rumney.
2. Note that the closure of the existing Wedal Road HWRC's will take place up on completion of the new HWRC at Lamby Way and that the delivery timescales for recommendations 1 and 2 will be April 2016.
3. Approve the implementation of seasonal hours by November 2015 and the immediate implementation of the proof of residency for resident access to the Household Waste Recycling Centres.
4. Approve the charging approach to non Cardiff residents and identified commercial operators to reduce treatment and disposal costs.
5. Agree that a third party operator be sought for the delivery of a Re Use Facility an delegate authority to the Director City Operations and Corporate Director Resources in consultation with the Members for Environment and Corporate Services & Performance to deal with all matters (including all ancillary matters) associated with the process (including the strategy, evaluation and weightings) up to and including award of contract.

ANDREW GREGORY

Director

10 July 2015

The following appendices are attached:

Appendix A1 and A2 - Route times and route distances for North Wards to Bessemer Close HWRC and Lamby Way HWRC
Appendix B - Regional HWRC Use Assessment

Appendix C - Environmental Scrutiny Chair Letter on the proposed HWRC changes

Appendix D - Cabinet Member for Environment response to Environmental Scrutiny Chair Letter

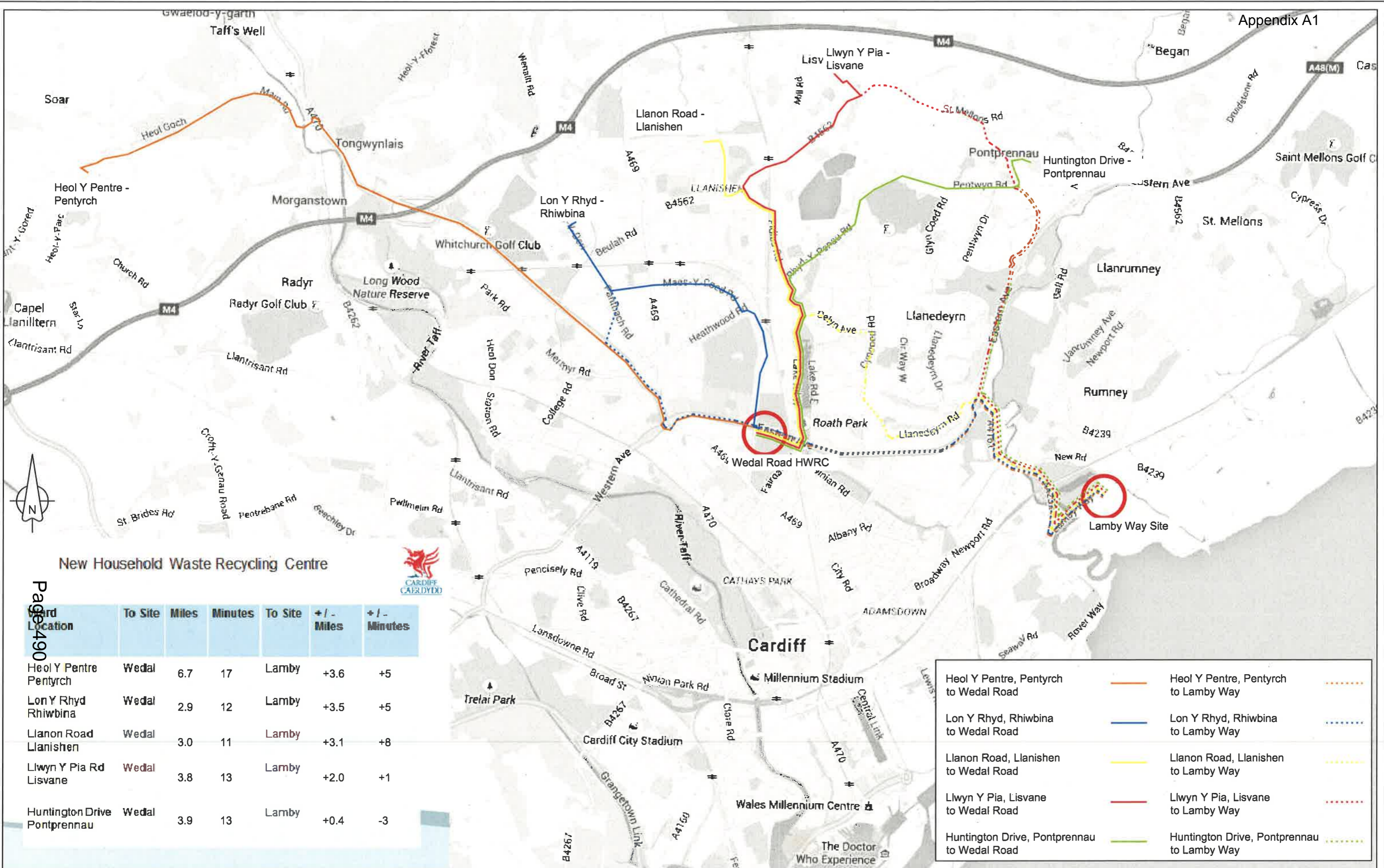
Appendix E- Equality Impact Assessment

The following background papers have been taken into account

Outline Waste Management Strategy 2015-2018 consultation report

Recycling & Waste Management Strategy 2015

Council Budget 2014/15

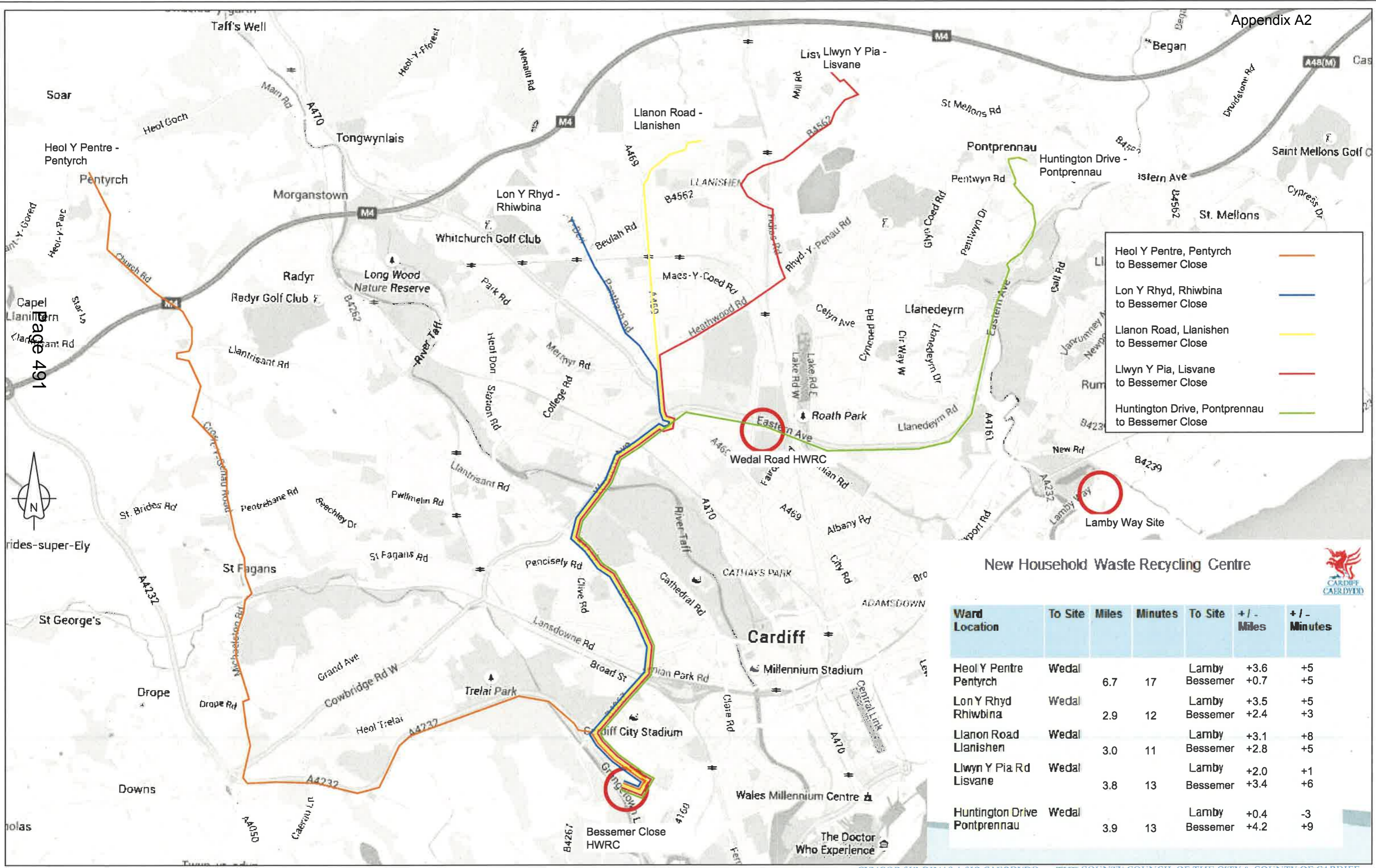


New Household Waste Recycling Centre

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Card Location	To Site	Miles	Minutes	To Site	+/- Miles	+/- Minutes
Heol Y Pentre - Pentyrch	Wedal	6.7	17	Lamby	+3.6	+5
Lon Y Rhyd - Rhiwbina	Wedal	2.9	12	Lamby	+3.5	+5
Llanon Road - Llanishen	Wedal	3.0	11	Lamby	+3.1	+8
Llwyn Y Pia - Lisvane	Wedal	3.8	13	Lamby	+2.0	+1
Huntington Drive - Pontprennau	Wedal	3.9	13	Lamby	+0.4	-3

Heol Y Pentre, Pentyrch to Wedal Road		Heol Y Pentre, Pentyrch to Lamby Way	
Lon Y Rhyd, Rhiwbina to Wedal Road		Lon Y Rhyd, Rhiwbina to Lamby Way	
Llanon Road, Llanishen to Wedal Road		Llanon Road, Llanishen to Lamby Way	
Llwyn Y Pia, Lisvane to Wedal Road		Llwyn Y Pia, Lisvane to Lamby Way	
Huntington Drive, Pontprennau to Wedal Road		Huntington Drive, Pontprennau to Lamby Way	



Heol Y Pentre, Pentyrch to Bessemer Close	
Lon Y Rhyd, Rhiwbina to Bessemer Close	
Llanon Road, Llanishen to Bessemer Close	
Llwyn Y Pia, Lisvane to Bessemer Close	
Huntington Drive, Pontprennau to Bessemer Close	

New Household Waste Recycling Centre

Ward Location	To Site	Miles	Minutes	To Site	+/- Miles	+/- Minutes
Heol Y Pentre Pentyrch	Wedal	6.7	17	Lamby	+3.6	+5
	Bessemer			+0.7	+5	
Lon Y Rhyd Rhiwbina	Wedal	2.9	12	Lamby	+3.5	+5
	Bessemer			+2.4	+3	
Llanon Road Llanishen	Wedal	3.0	11	Lamby	+3.1	+8
	Bessemer			+2.8	+5	
Llwyn Y Pia Rd Lisvane	Wedal	3.8	13	Lamby	+2.0	+1
	Bessemer			+3.4	+6	
Huntington Drive Pontprennau	Wedal	3.9	13	Lamby	+0.4	-3
	Bessemer			+4.2	+9	

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Project: Bessemer Close HWRC Investigation
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Final Report

Regional HWRC Use Assessment



Regional HWRC use assessment of five local authorities in South Wales

Project code: BHC003-022

ISBN: [Add reference]

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WRAP's vision is a world without waste,
where resources are used sustainably.

We work with businesses, individuals and
communities to help them reap the
benefits of reducing waste, developing
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Written by: Stuart Clouth and Alice Maxwell-Lyte, Resource Futures



Front cover photography: Bessemer Close HWRC, Cardiff

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Executive summary

In April 2014, WRAP Cymru commissioned Resource Futures to carry out a Regional Household Waste Recycling Centre (HWRC) Use Assessment across five local authorities in South Wales. This study focussed on cross border usage of HWRCs - i.e. when residents dispose of their waste at a neighbouring local authorities' HWRC – and potential trade waste abuse. The study aims to provide an evidence base for local authorities to refer to regarding implementing shared payment or other such schemes for managing cross border / trade waste inputs, and will enable the local authorities to begin discussions regarding a future solution.

The study involved a fieldwork stage whereby Resource Futures staff interviewed 5,923 users of the 17 HWRCs across the five authorities to identify where they came from, what (and how much) waste they were bringing, whether or not they were a trader, and for what reason they were using the particular site.

Cross border usage was not found to be significantly high overall. Cardiff was most affected by this, with 11.0% of users coming from outside the authority area. On closer analysis it is the site at Bessemer Close (17.3% cross border use) in the south west of the authority that is the primary cause for the comparatively high cross-border use in Cardiff. The mapping analysis shows that this is primarily caused by residents from Penarth in Vale of Glamorgan and surrounding area having a greater accessibility to this site, as it is nearer and easier for them to get to than travel to the Barry Recycling Centre within their own authority. Many residents from this area commute into Cardiff and pass this site on their way into the city. Lamby Way in Cardiff and Full Moon in Caerphilly also receive high volumes of cross border usage from residents of RCT and Newport residents respectively likely due to their proximity to either the authority border or main commuter/visitor thoroughfares.

User Origin	Caerphilly	Cardiff	Newport	RCT	Vale of Glamorgan	Total
Within the LA	95.0%	89.0%	96.8%	97.5%	97.9%	94.4%
Outside the LA	5.0%	11.0%	3.2%	2.5%	2.1%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

It is also worth noting that the low amount of cross border usage in the counties of Caerphilly and particularly RCT (along with Merthyr Tydfil, although not within the study) could be due to the physical topography of these counties, with residents unlikely to travel into a neighbouring valley.

Although the cross-border use in terms of site use and tonnage is not significantly high, the additional costs are substantial. Cardiff is the most affected authority bearing additional costs of approximately £430,000 per annum as a result of cross-border use. Newport is the least affected authority bearing approximately £35,000 in additional costs as a result of cross-border use. When savings from outflow of material is taken into account, Cardiff experiences a net cost per annum of approximately £350,000 whereas the Vale of Glamorgan realises net savings of over £200,000 per annum.

The data suggests that Cardiff could make significant financial savings and increase recycling rates if it were to restrict access of its sites to only residents of Cardiff or at the very least charge non-residents a nominal fee to deposit waste in the authority. Furthermore, Cardiff could make increase recycling rates and reduce the mixed waste disposal costs by undertaking a secondary sort similar to the way HWRCs in Caerphilly operate. Caerphilly is

the only other authority to experience net costs as a result of cross-border HWRC use. In contrast to Cardiff it is less the material costs that impact the overall costs but more the additional operational costs from increased use. Similarly to Cardiff, Caerphilly CBC could introduce nominal charges for non-residents to use their facilities in order to make savings.

The report also scrutinises data collected on trade waste entering the five HWRCs. Certain sites are shown to have a greater degree of trade abuse than others, which raises the question as to whether charging traders is being enforced at HWRC sites. In particular, significant amounts of trade waste are seen across Caerphilly Council sites at Aberbargoed, Penallta, and Rhymney as well as Rhondda Cynon Taff's Ty Amgen site. One of the only sites where trade waste is accepted and charged for (Bessemer Close in Cardiff) receives a lower than expected proportion of trade waste at 2.6% (mixed waste). To put this into perspective, for Lamby Way HWRC in Cardiff - where the policy is for trade waste to not be accepted -13.4% of mixed waste is estimated to be of trade origin. There are a number of reasons why this might be the case including: a perceived sense of immunity where traders feel they will not be prosecuted if even caught at all, a lack of knowledge in that traders do not know that they are able to deposit waste at the relatively new Bessemer Close site, or that traders are purposefully choosing to avoid Bessemer Close to save money. Furthermore it has been noted that staff at some sites do not enforce the rules.

Although site staff should be enforcing the rules as part of their job description, it is possible to incentivise or train staff to ensure that they identify traders and uphold the rules. This could come in the form of security guard or door supervisor training, which may include physical intervention and self defence training. The results indicate that barring traders from the Lamby Way and Weddal Road HWRCs in Cardiff could save the authority up to £127,000 pa. In order to reduce the misuse of all local authorities' HWRC site, we would also recommend that councils add a message via public communications through the council website or press release. Alternatively, a disclaimer system, where residents with vans or trailers apply for a tipping permit or by registering their vehicle registration through the council switchboard could be introduced.

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1.0 Introduction

Resource Futures were commissioned by WRAP Cymru to carry out an assessment of cross border use at Household Waste and Recycling Centre (HWRC) sites for five neighbouring local authorities across South Wales. Cross border usage can be defined as the use of an HWRC by householders (or traders) outside of the local authority area of that HWRC. This activity tends to occur where a site is located close to the border of another local authority or lies close to a main commuter route between authorities. This assessment also looks to examine the quantity of trade waste entering sites in the project area. The project area consists of the following local authorities:

- The City of Cardiff Council
- Caerphilly County Borough Council
- Newport City Council
- The Vale of Glamorgan Council
- Rhondda Cynon Taff County Borough Council

Figure 1 provides the HWRCs in the project area.

Figure 1 HWRCs in the project area



Figure 2 (taken from our in-house ResourceData¹ application) shows the HWRC sites within the local authorities surveyed as well as the nearby sites which may influence waste deposit habits.

¹ www.resourcedata.co.uk

2.0 Methodology

The following provides an overview of the methodology used to meet the aims and objectives of the project including sampling, questionnaire development, fieldwork and analysis.

2.1 Sampling

Survey staff discussed with site staff the most suitable location to stand on site at each HWRC and conducted the survey with any users that were willing to take part. At the sites with fewer users, this usually meant approaching all users to ask them to participate in the survey but at larger and busier sites, staff were asked to randomise the users asked to take part.

2.2 Survey

The content of the questionnaire was developed with WRAP and the participating local authorities to gather data on the type of vehicle, suspected trade use, postcode, estimation of amount of waste, type of waste (material), site use frequency and reason for visiting the site. The questionnaire was converted into a survey database (Snap software) and tested on handheld devices before the fieldwork commenced. From testing it was estimated that each face-to-face survey would take no longer than 5 minutes. The questionnaire is included in Appendix 1 for reference.

A suitable preamble introducing the survey was provided to encourage site users to provide the information required, particularly as the postcode was the key response and only question that will be asked during busy periods.

In order to measure the volume of the load of waste in each vehicle, a visual assessment of loads delivered was carried out for as many surveyed site users as possible, with the aim of collecting data for all site users (except approximately 3% at peak times due to the need to get visitors through the site).

The visual assessment method to define materials in terms of their volumes was as follows:

- **Low:** up to a car boot full
- **Medium:** up to a full estate car, packed to the roof
- **High:** anything above medium (i.e. van loads, trailer loads).

The main types of materials delivered with a Low, Medium or High loads were then recorded.

For the waste type a reasonably concise list was used:

- Mixed waste, likely to be deposited as general waste
- Garden waste
- Rubble
- Other materials likely to be deposited as recyclables (i.e. WEEE, metal, wood, dense plastics, dry recyclables – depending on the range of materials accepted at the site being surveyed).

By limiting the amount of data recommended for collection in terms of volumes and types, surveyors were able, for each user visiting the site, to introduce the survey, ask for the site user's postcode, assess whether the site user is a trader, and obtain the above mentioned data on volume and material type. This allowed for optimum collection of key variables during busier times.

From experience we have seen that there are generally no significant differences in material amounts and types between site users of different local authority area origins. In the main, site users across different areas tend to bring broadly similar amounts and types of materials

to HWRCs. However the collection of material volume and type of waste information provides a further opportunity to compare waste types from different regions. The material type and volume data that has been collected in the study is key to the understanding of HWRC use.

The surveyors were trained in the methodology of this research on the 8th May 2014 at Resource Futures' office in Bristol. Training topics included the survey method, introducing themselves and the survey in order to gain compliance of the maximum number of site users, use of the hand held devices, quality control and risk assessment. As part of the training, surveyors were also given training on identifying suspected traders. As our members of staff had previously carried out similar HWRC surveillance, they were experienced in covertly noting down suspected commercial vehicles, without hindering their ability to obtain the required data of postcode and information about the waste that was being brought to the HWRC. Encouraging our survey staff to work alongside and cooperatively with site staff helped to share information on who may or may not be a trader. This included staff notifying site operatives on suspected traders and vice versa. Following the field work, survey staff stated that in a few cases site operatives were aware of traders from previous experience but in general they were not. The extent to which site operatives questioned suspected traders also varied between sites.

2.3 Fieldwork

Figure 3 Fieldwork schedule

Site	09/05/2014	10/05/2014	11/05/2014	12/05/2014	13/05/2014	14/05/2014	15/05/2014	16/05/2014	17/05/2014	18/05/2014	19/05/2014	20/05/2014	21/05/2014	22/05/2014	23/05/2014	24/05/2014	Person/days
	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
Caerphilly																	
Aberbargoed					1				1								2
Full Moon									1					1			2
Penallta								1	1								2
Penmaen					1				1								2
Trehir		1											1				2
Rhymney				1						1							2
Newport																	
Docksway			1								1	1					3
Vale of Glamorgan																	
Barry								1		1							2
Llandow						1				1							2
Cardiff																	
Bessemer Close	1					1										1	3
Lamby Way	1	1					1										3
Weddal Road		1												1			2
RCT																	
Dinas										1			1				2
Ferndale							1				1						2
Gelli			1												1		2
Treforest			1									1					2
Ty Amgen			1	1													2
Person/days	2	3	4	2	2	2	2	2	4	4	2	2	2	2	1	1	37

The fieldwork took place between the 9th and 24th May 2014, as illustrated in the survey schedule provided in Figure 3. Surveyors were at each site for 8.5 hours a day (taking a 30 minute lunch break) to ensure data from site users throughout the day was captured.

The schedule was organised in such a way to obtain two day visits at each site, with the exception of Docksway in Newport and Lamby Way and Bessemer Close in Cardiff which had three individual day visits each. Furthermore the schedule was arranged so as to ensure that each site was visited at least once on a weekend, deemed to be the busiest days of the week.

Assessment of site user origin was recognised as the most important data and was asked of all users entering sites, in preference over collecting other types of data (such as types of materials brought or assessing whether the site user was a trader). The survey was designed so that all data types could be collected for all site users under most circumstances; however, during peak times this was occasionally challenging, and in these instances the surveyors were instructed to prioritise obtaining data on site user origin.

There were no real issues whilst undertaking the fieldwork stage. The only thing to note was the use of paper copies of the survey during rainy periods when point the touchscreen devices become unusable. The hard copies were then input into the software on return to the office. A total of 5,923 people were interviewed over the course of the fieldwork with the busiest sites receiving the most respondents as expected, as shown in Table 1.

Table 1 Number of survey respondents per site

Authority	Site (no. of days)	Number of respondents
Cardiff	Bessemer Close (3)	589
	Lamby Way (3)	614
	Weddal Road (2)	425
	All (8)	1,628
Caerphilly	Aberbargoed (2)	284
	Full Moon (2)	224
	Penallta (2)	141
	Penmaen (2)	544
	Trehir (2)	230
	Rhymney (2)	180
	All (12)	1,603
Newport	Docksway (3)	903
Vale of Glamorgan	Barry (2)	376
	Llandow (2)	283
	All (4)	659
RCT	Dinas (2)	236
	Ferndale (2)	212
	Gelli (2)	197
	Treforest (2)	333
	Ty Amgen (2)	152
	All (10)	1,130
Total		5,923

2.4 Analysis

Resource Futures compiled all data from each site once the fieldwork element of the project was complete. All data entered manually (from paper backups) was quality checked by the Project Manager as per Resource Futures' Quality Management System policy.

Once all the data was input, the results were exported to MS Excel and MS MapPoint for analysis. The spatial analysis required the use of a lookup table to identify the authority of origin from just the postcodes. After cleaning or removing errant or non-existent postcodes, the results were cross-tabulated to provide the desired results. Approximately 5% of given postcodes were not recognised by the GIS software.

In terms of classification of trade three categories were defined; household, suspected trader and definite trader. For the analysis, half of the suspected traders were then classified as traders, along with all definite traders, to arrive at an overall estimate of the proportion of surveyed site users that are traders.

Operational costs of HWRCs in the study area were calculated using the mean cost per tonne of operating HWRCs based upon total throughput. Table 2 below gives the costs of tonnage throughput for material received.

Table 2 HWRC operational costs per tonne in Wales

Cost per tonne (based on total throughput)	
Median	£112
Mean	£117
Maximum	£280
Minimum	£68

Source: WasteDataFlow

Certain sections of the analysis required an indication of the split of material received at HWRCs across the five authorities. Table 3 presents this information calculated using local authority returns of HWRC data on WasteDataFlow and used to calculate the cross-border and trade waste tonnages of the four material categories. It is worth noting that the results assume the same material split across each HWRC in the authority areas. Caerphilly's high proportion of recycling and low residual is a result of a secondary sort of mixed waste at the sites themselves. Cardiff's high proportion of residual could be a result of relatively low engagement between staff and resident.

Table 3 Breakdown of material received at HWRCs in the five authority areas in 2012/13

Authority	Recycling	Green	Soil & Rubble	Residual
Caerphilly	64%	8%	23%	5%
Cardiff	24%	7%	18%	51%
Newport	41%	11%	22%	26%
RCT	47%	6%	32%	15%
Vale of Glamorgan	30%	13%	21%	36%

Table 4 below gives the market values for the different types of wastes focussed on in this study calculated using approximate gate fees/revenues per tonne obtained from credible sources such as the Let's Recycle website, the Materials Recycling Weekly publication and the WRAP Materials Pricing Report. Landfilled waste incurs the highest charge at £100 per

tonne which includes landfill tax at the higher rate. Green waste and soil and rubble also incur charges for tonnage throughput, this is set at £23 per tonne for each. The negative value for recyclables indicates that an approximate revenue of £123 can be obtained per tonne from the sale of recyclables. This figure is calculated separately using an average of recycle revenues weighted by UK waste composition. The values imply that local authorities who are receiving mixed waste intended for landfill from people resident outside the local authority have to pay significant charges without additional financial resources available. Conversely, authorities may benefit from the deposit of recyclables at their sites, providing that haulage fees are not too high.

Table 4 Gate fees / revenues for the material categories

Material	Value (Gate fee)
Landfilled waste (mixed waste)	£100
Green	£23
Soil & Rubble	£23
Recyclables	-£123

Source: Let's Recycle, MRW, WRAP

The data in Table 5 and Table 6 was used in conjunction to obtain estimates of the weight of the material being deposited by site users. Additionally, interviewers were asked to note the proportions of material if users were to bring more than one type. As this had to be estimated quickly, a ranking system was developed whereby if a user had only one type of material, the interviewer would note just '1' in the appropriate category. If the user brought two types of material, the interviewer would note '1' in the category with the highest proportion and '2' in the other category. If the user brought three types, then the system was the same albeit using '1', '2' and '3'. The weights were then apportioned by category according to the proportions in Table 7.

Table 5 Density in kg/m³ of the four material categories

Type	Density kg/m ³
Commingled	84
Food and Garden	157
DIY	200
Household	120

Source: WRAP Bulk Density studies

Table 6 Volume of the vehicle types

Type	Volume m ³
Low (i.e. up to a car boot full)	0.5
Medium (i.e. up to a full estate car packed to the roof)	1.6
High (i.e. anything above medium: van lads, trailers etc)	3

Source: Parkers

Table 7 Proportions of material ranking estimations

Rank Estimations of Proportion	Proportion 1	Proportion 2	Proportion 3
1	100%		
1,2	67%	33%	
1, 2, 3	50%	30%	20%

3.0 Cross-border analysis

3.1 Overall cross-border usage

Table 8 shows that the local authority most affected by cross border usage is Cardiff, with 11% of visitors to the sites coming from outside the authority. Cross border usage in the authorities of Caerphilly, Newport, RCT and Vale of Glamorgan was lower but still significant especially in Caerphilly where approximately 1 in 20 visitors are not resident in the authority.

Table 8 Proportion of cross-border use in the five authorities

User Origin	Caerphilly	Cardiff	Newport	RCT	Vale of Glamorgan	Total
Within the LA	95.0%	89.0%	96.8%	97.5%	97.9%	94.4%
Outside the LA	5.0%	11.0%	3.2%	2.5%	2.1%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

During the fieldwork phase of the project, the surveyors took information from visitors about their reasons for visiting the HWRC that day. Surveyors were trained and reminded not to prompt interviewees to reply to a list of options initially, unless they could not give an unprompted reply. Our surveyors asked: "Is there any particular reason why you use this site rather than any other sites?" Table 9 presents the results.

Table 9 Reasons for which users use the particular site

Reason	Internal	External	Total
More facilities at this site (i.e. recycling of particular materials)	1.0%	1.3%	1.0%
Not aware of any other sites locally	2.9%	9.4%	3.2%
This site is the closest to where I live	96.1%	89.3%	95.8%
Total	100.0%	100.0%	100.0%

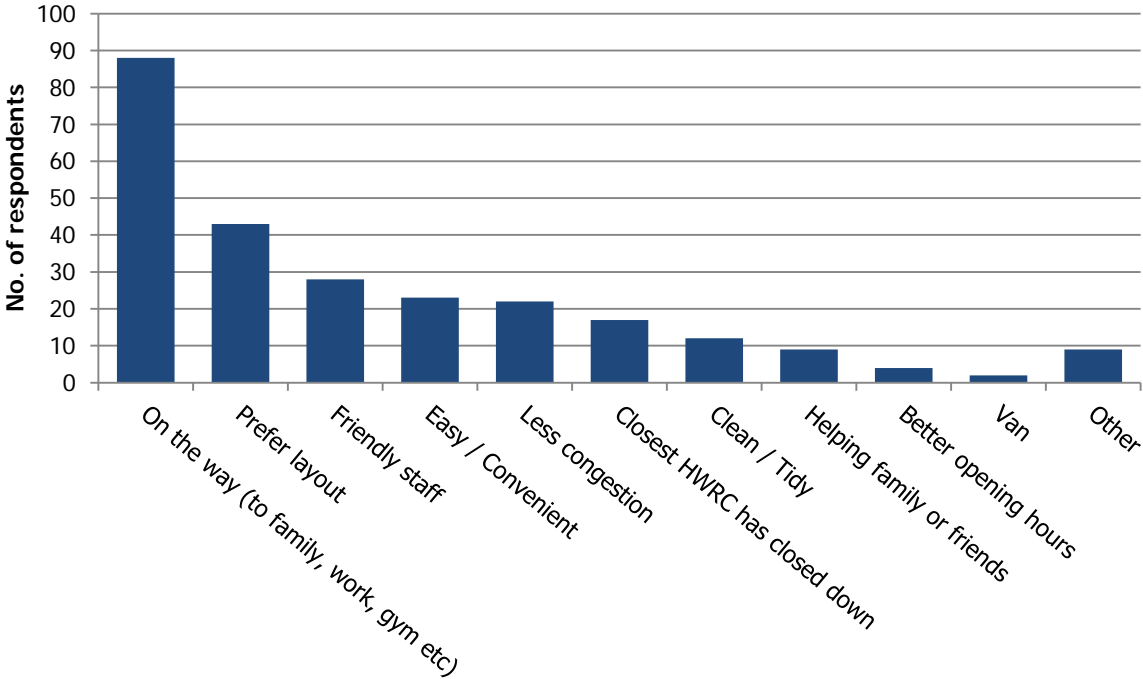
The vast majority of visitors to the HWRCs, both external (those resident outside the authority of the site) and internal (those resident within the authority), gave the reason for choosing that site was because it is the closest to where they lived. External visitors tended to be less aware of other sites locally, with 9.4% visiting a site for this reason. This reason would perhaps account for cross border usage.

The other reasons given for visiting a site could broadly fit into ten other categories as shown in Figure 4, with the remaining reasons being a one-off or very specific responses.

Of the 221 "Other" responses, most visitors to the HWRCs gave the response that the site was on the way to another destination. Many respondents gave more than one response to this question, giving reasons such as "no congestion and helpful staff". These responses

mostly included visiting friends and family and going to work, shops, and other leisure activities. A popular response included in the “on the way” category was “en route” without giving a destination. This reason was a significant contributor to cross border use of HWRC sites, particularly for Cardiff where many from surrounding authorities commute to and the sites are located in close proximity to main routes of the city. There were a notable number of responses categorised as “closest to work”.

Figure 4 "Other" Responses for Visiting a HWRC



The second most popular reason for visiting a site was that the respondents preferred the layout of the site visited, as opposed to the HWRC that may have been closer to their home location. Reasons within this category included that the person felt it was easier to access the skips, more organised, well laid out, larger and more space for parking their cars near to skips.

The convenience of a site therefore contributes to cross border use, as this suggests that it is used en route to other destinations over a site that is perhaps closer and within their home county. The response “easy” could be interpreted as “easy to use” in terms of layout or “easy to get to”, meaning more convenient and accessible.

People questioned during the cross border use study also valued the members of staff at the HWRCs. The response of “friendly staff” or similar was often in conjunction with another response, such as “helpful staff, site kept clean”. Some respondents specifically commented that they were visiting that particular site as they felt that the “staff were friendlier than at other site”. Feeling that the site was “professionally run” and “well managed” was given, this could be a comment that refers directly to the members of staff, or to the wider organisation and management of the site. Friendly and helpful staff at HWRCs encourages users to revisit, making it feel like a more accessible environment and promoting inclusion for all members of the community.

Cleanliness was cited as a reason for visiting a particular site that was not the closest to the respondents’ home. This was often given alongside another reason for visiting. As the most popular response was that many were on their way to somewhere else, many seemed to value a clean and tidy site in order to incorporate a visit to an HWRC practically into their lives.

Congestion of some sites caused 22 residents to go out of their way to avoid queuing. They would either choose a second site, slightly further away from their home, which may be en route to another destination. This may well result in some cross border use of HWRCs.

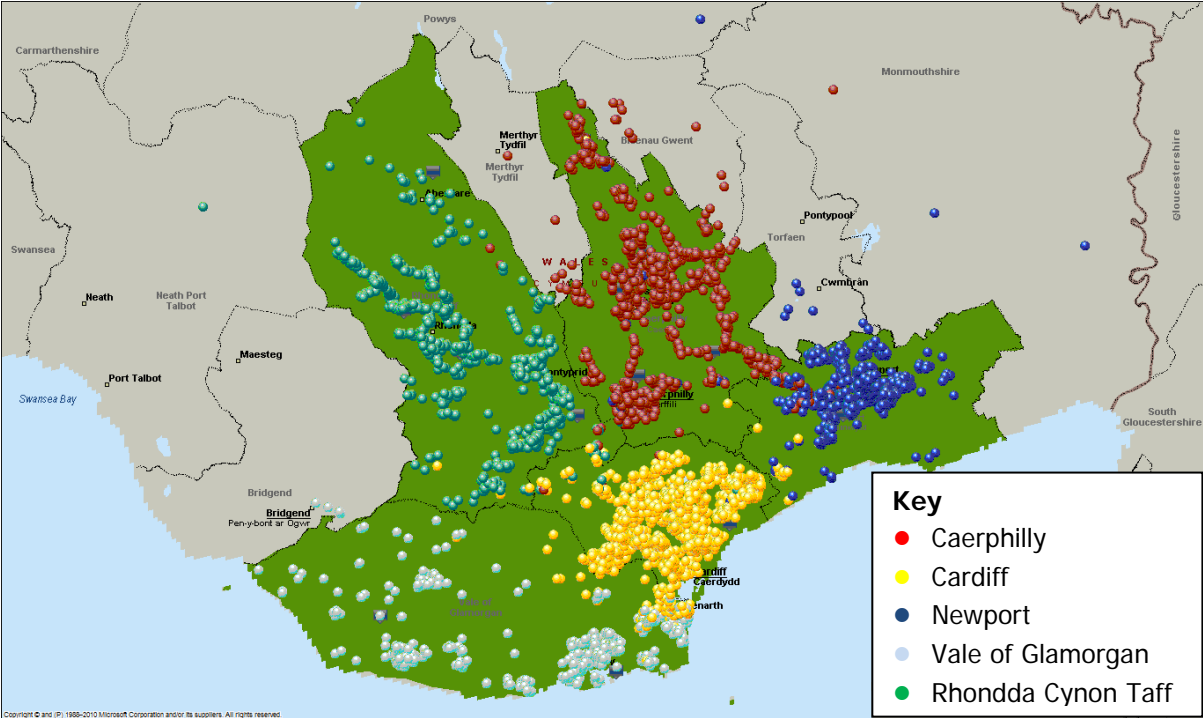
The majority of residents who gave the reason that the “closest HWRC had closed down” were from Cardiff, as they had been affected by the closure of the Waungron site in Fairwater. There were some specific responses from residents that included preferring to visit a site due to charges for vans, or for the disposal of carpets, at certain HWRCs. One resident chose to visit a HWRC site because they had been recommended it by a friend.

Across all people questioned during the survey, there was only one response which referred to having problems with their recycling collection. This response was that there “was not enough room in the bin” and was the reason for visiting the HWRC.

The map in Figure 5 gives an overall graphic representation of each of the cases collected during the fieldwork stage of the study. This gives us a visual snapshot of how the different local authorities have been affected by their neighbouring authorities’ residents’ cross border usage. The coloured dots represent the postcodes given by the users at sites in each local authority. For example, the yellow dots represent the origin of users depositing waste at sites in Cardiff.

The main areas of interest are the border between the authorities of Cardiff and Vale of Glamorgan and the border between the authorities of Caerphilly and Newport, each affected by cross border flows. More detailed images of each individual authority are included in authority specific sections of the report (section 3.5 onwards).

Figure 5 Map showing origin of users for HWRCs in each local authority area



3.2 Type and Origin of Wastes

The type of waste brought to the HWRCs was recorded during the fieldwork stage of the project. Waste was grouped as Mixed, Garden, DIY and Recyclables, shown separately in the following sections. WasteDataFlow is used to provide absolute tonnages of each waste type

for the authorities which are then used in conjunction with the cross-border proportions calculated in the analysis to estimate the incoming cross-border flows.

Mixed waste

Table 10 shows a breakdown by authority of WasteDataFlow tonnage throughput for each local authority and with the percentage of waste that has been deposited from internal and external residents. Generally speaking, most local authorities in this study receive a low percentage of waste originating from outside of their borders, between 1-4% correlating with the proportion of site users from within and from outside the authority. Cardiff's HWRCs receive 10.54% of mixed waste from external sources. As the mixed waste throughput tonnage for Cardiff is much larger than the other authorities to begin with, the incoming cross-border mixed waste is significantly higher (~1,500 tonnes compared to 50-75 tonnes for the other authorities) as a result of the relatively high proportion of cross-border users at Cardiff's sites.

Table 10 Origin of mixed waste by local authority Part 1 – tonnes per annum

Local Authority	Mixed waste Throughput (tonnes)	Originating within LA	Originating outside LA	Incoming cross-border mixed waste tonnage
Caerphilly	1,447	95.9%	4.2%	60
Cardiff	13,914	89.5%	10.5%	1,467
Newport	2,588	97.8%	2.2%	56
RCT	2,587	97.5%	2.6%	66
The Vale of Glamorgan	5,333	98.7%	1.4%	72

Table 11 gives a breakdown of incoming cross-border mixed waste tonnage for each authority and from which authority the incoming waste has originated in. Cardiff Council has the highest amount of incoming cross-border mixed waste at almost 1,500 tonnes per annum, whereas the other four local authorities in this study receive between 56-72 tonnes from outside the local authority. A potential reason for such a high intake is that users may bring mixed waste into the authority because they know it is more difficult to deposit in their own authorities. Better operative engagement may help to reduce the large proportion of mixed waste and therefore increase recycling rates in the authority. Of the 60 tonnes that originates from outside of Caerphilly, 20 tonnes come from the residents of Newport. Small amounts of mixed waste are received from Cardiff and RCT, but 36 tonnes still originates from other neighbouring authorities, likely to be Cwmbran, Ebbw Vale and Merthyr Tydfil.

Of the 1,467 tonnes of mixed waste that originates outside of Cardiff, the majority of this comes from the Vale of Glamorgan, at over 827 tonnes. This is due to the Bessemer Road site's proximity to the county. The other three local authorities contribute to Cardiff's mixed waste tonnage, but waste from other authorities is unlikely as residents from RCT, Newport and Caerphilly make up the remaining of outside arisings.

Newport, with just one HWRC site has the lowest tonnage of incoming mixed waste, 15 tonnes of the total 56 tonnes comes from Caerphilly and 2 tonnes from Cardiff, with the remaining amount originating outside the study area. Rhondda Cynon Taff receives most of its mixed waste originating from outside the county from Cardiff and the Vale of Glamorgan, but is affected by surrounding authority's cross-border use. The Vale of Glamorgan receives 72 tonnes from outside the authority, with 12 tonnes originating in Cardiff.

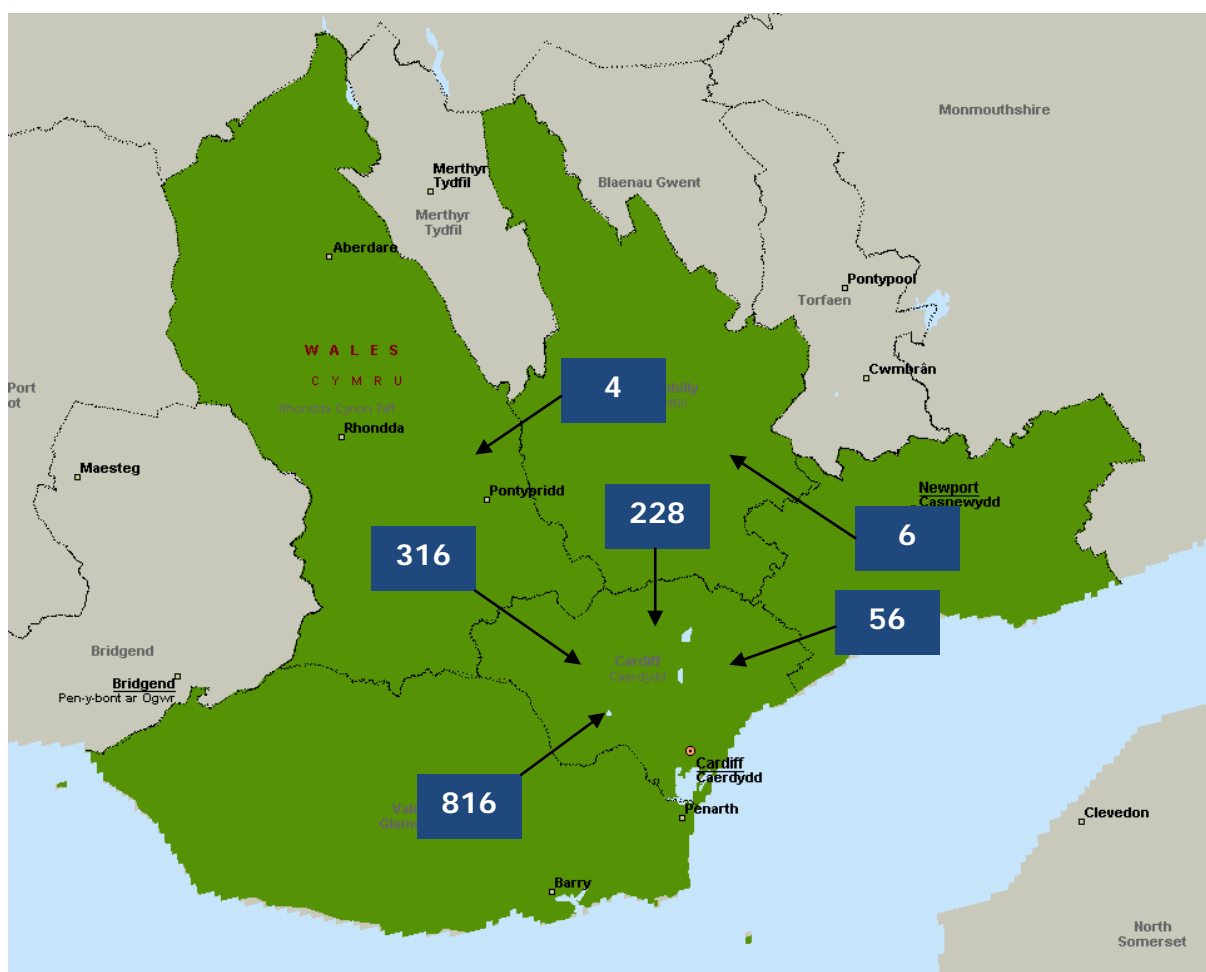
Table 11 Origin of mixed waste in tonnes per annum by local authority Part 2 – tonnes per annum*

Local Authority	Incoming cross-border mixed waste tonnage	Originating in:				
		Caerphilly	Cardiff	Newport	RCT	VoG
Caerphilly	60	-	3	20	1	0
Cardiff	1,467	231	-	59	341	828
Newport	56	15	2	-	0	0
RCT	66	5	25	0	-	20
The Vale of Glamorgan	72	0	12	0	0	-

* where the sum of the authority's values does not equal the total incoming tonnage, the remainder originates in authorities excluded in the study. This is the same for all other material categories.

Figure 6, correlates with Table 11, depicting the net flow annual tonnage of mixed waste that originates from cross-border use into the local authorities included in this study. The image clearly shows that the majority of mixed waste is passed from the counties surrounding Cardiff into this local authority, with the most part of this originating in the Vale of Glamorgan. Very low tonnages of mixed waste goes from Newport to Caerphilly and from Caerphilly to RCT.

Figure 6 Net flow of mixed waste in tonnes pa between the five authorities



Green Waste

Table 12 indicates that Caerphilly, Cardiff and the Vale of Glamorgan each receive around 2,000 tonnes of green waste; double the amount of green waste that Newport and RCT receive. Interestingly, all green waste that the HWRCs in RCT received originated internally. The counties of Caerphilly, Newport and the Vale of Glamorgan were little affected by cross border usage of green waste. Cardiff received almost 11% of its green waste from external origins.

Table 12 Origin of green waste by local authority

Local Authority	Green waste Throughput (tonnes)	Originating within LA	Originating outside LA	Incoming cross-border green waste tonnage
Caerphilly	2,199	95.7%	4.3%	95
Cardiff	1,840	89.0%	11.0%	202
Newport	1,076	93.5%	6.5%	70
RCT	1,047	100.0%	0.0%	-
The Vale of Glamorgan	1,866	98.9%	1.1%	21

Table 13 shows the origins of green waste in tonnes per annum by local authority. Cardiff receives the highest tonnage of waste from outside the local authority, compared to the other authorities in this cross-border study. RCT did not receive any green waste from outside the local authority. Of the 95 tonnes per annum of green waste that enters Caerphilly from outside the authority, 38 tonnes comes from Newport and 11 tonnes from Cardiff. The remaining tonnage would come from cross-border use from other nearby local authorities.

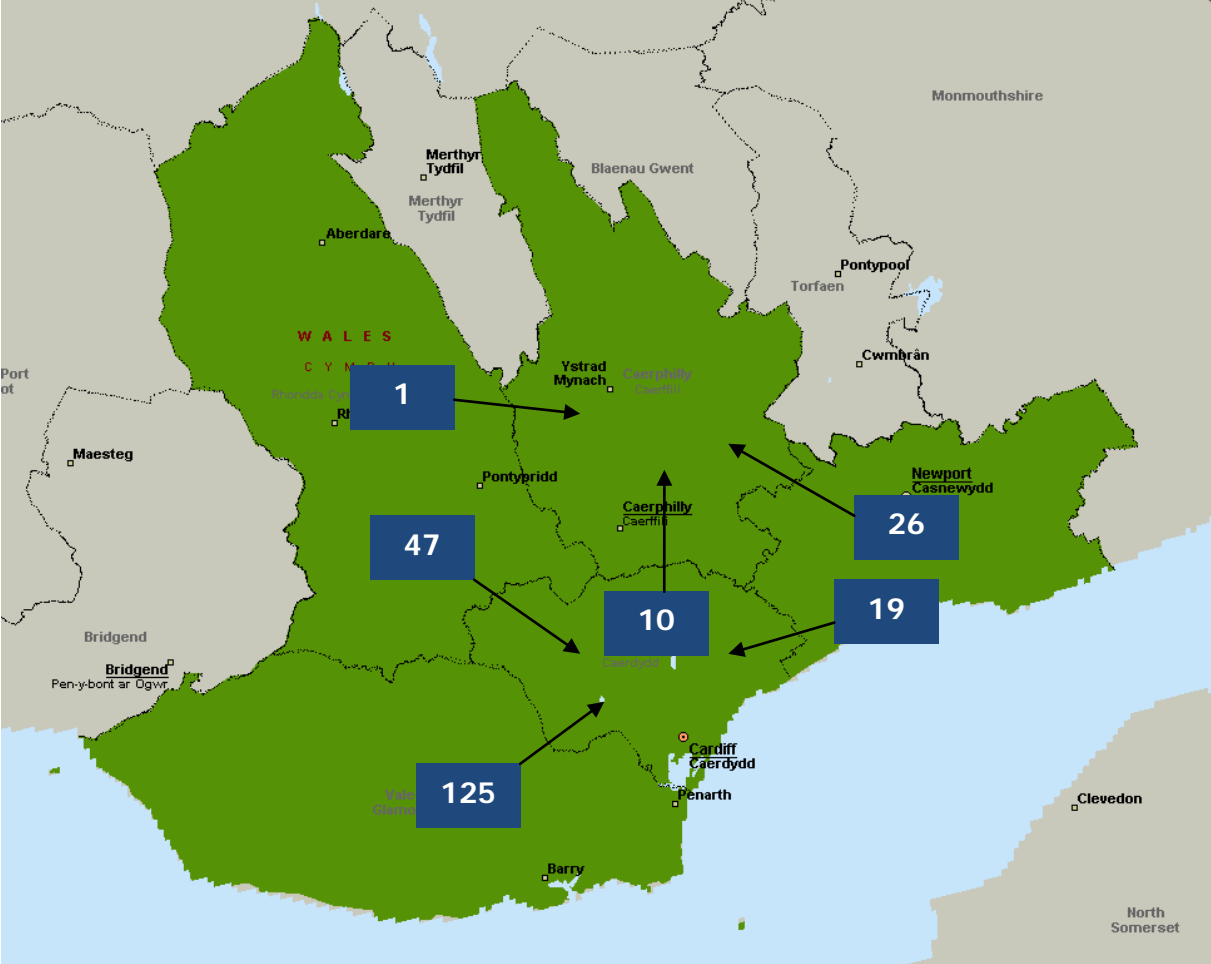
Of the 202 tonnes of green waste crossing into Cardiff, 133 originated in the Vale of Glamorgan; this is the highest proportion of cross-border use for green waste. No other local authorities, apart from those in this study really contribute to green waste coming into Cardiff. For Newport, 12 tonnes of green waste originates in Caerphilly; the rest of the 70 tonnes would originate elsewhere. About 8 tonnes of green waste entering the Vale of Glamorgan comes in from Cardiff residents, the remaining 13 tonnes of the total 21 tonnes of green waste would originate from other authorities.

Table 13 Origin of green waste in tonnes per annum by local authority Part 2

Local Authority	Incoming cross-border green waste tonnage	Originating in:				
		Caerphilly	Cardiff	Newport	RCT	VoG
Caerphilly	95	-	11	38	1	0
Cardiff	202	1	-	19	47	133
Newport	70	12	0	-	0	0
RCT	-	-	-	-	-	-
The Vale of Glamorgan	21	0	8	0	0	-

Figure 7 shows the cross-border movement of green waste between the South Wales local authorities in this study, corresponding with the data shown in Table 13. The 125 tonnes of green waste going into Cardiff from the Vale of Glamorgan is the most notable result. This figure shows a different result for cross-border use for green waste than for that of mixed waste, as Caerphilly seems to receive more green waste from surrounding local authorities than it does mixed waste.

Figure 7 Net flow of green waste in tonnes pa between the five authorities



DIY Waste

As shown in Table 14 the authority that receives the highest amount of DIY waste through their HWRCs is Caerphilly, the great majority of this originates internally, with only 2.1 % coming from external sources. RCT and Cardiff both receive a notable amount of DIY waste compared with the Vale of Glamorgan and Newport counties. Again, the most affected local authority for cross-border DIY waste is Cardiff with 9.3% originating from outside the LA. This accounts for approximately 470 tonnes, almost four times higher than the next highest authority (Caerphilly).

Table 14 Origin of DIY waste by local authority

Local Authority	DIY waste Throughput (tonnes)	Originating within LA	Originating outside LA	Incoming cross-border DIY waste tonnage
Caerphilly	6,311	97.9%	2.1%	131

Cardiff	5,063	90.7%	9.3%	469
Newport	2,196	98.5%	1.5%	32
RCT	5,364	98.4%	1.6%	84
The Vale of Glamorgan	3,128	97.4%	2.6%	82

Table 15 shows the annual data for the origin of DIY waste in tonnes entering local authorities from the other counties covered in this project. In keeping with the trend for mixed waste and green waste, Caerphilly receives most of its incoming DIY waste from Newport; 95 of the 131 tonnes the authority receives from outside sources.

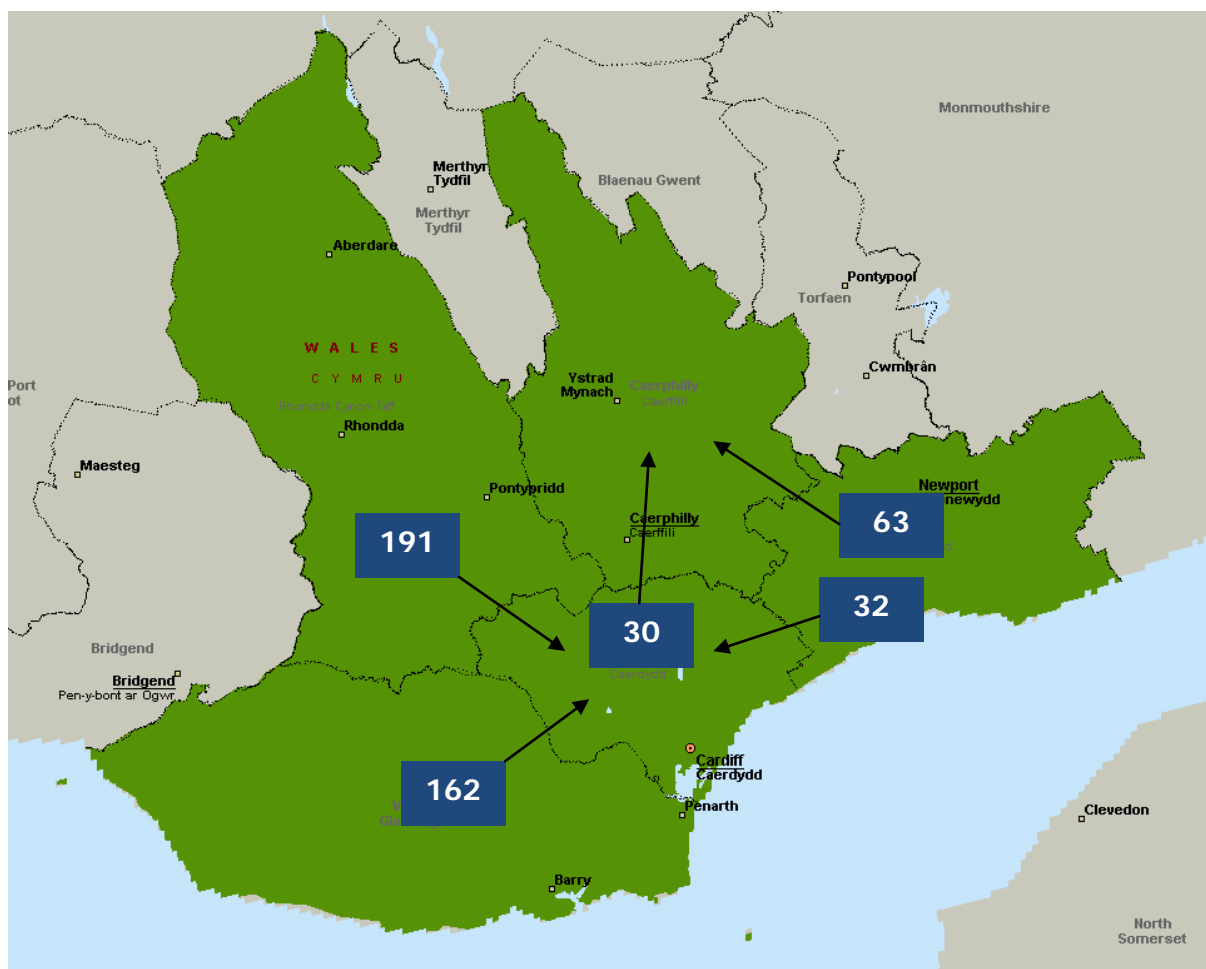
Interestingly, the trend does not follow for Cardiff where we see that the bulk of the DIY waste received from outside of Cardiff comes from the RCT and not Vale of Glamorgan. Of the 469 tonnes of DIY waste received from outside the authority, 275 tonnes is from RCT. This may be linked with suspected trade waste. All 32 tonnes DIY waste entering Newport from outside of the county is from Caerphilly. Similarly, all DIY waste originating from outside of RCT is from Cardiff. The Vale of Glamorgan receives 82 tonnes of DIY waste from outside the authority, but none of this is from any of the other four local authorities in this cross-border use study.

Table 15 Origin of DIY waste in tonnes per annum by local authority Part 2

Local Authority	Incoming cross-border DIY waste tonnage	Originating in:				
		Caerphilly	Cardiff	Newport	RCT	VoG
Caerphilly	131	-	30	95	0	0
Cardiff	469	0	-	32	275	162
Newport	32	32	0	-	0	0
RCT	84	0	84	0	-	0
The Vale of Glamorgan	82	0	0	0	0	-

Figure 8 depicts the net flow in tonnes of DIY waste between the five authorities every year. We can see that for Cardiff, most of the DIY waste entering the authority is from RCT, which is almost matched by the Vale of Glamorgan. Cardiff also receives some DIY waste from Newport, who's residents also take double this amount to Caerphilly. Some residents of Cardiff take DIY waste to Caerphilly.

Figure 8 Net flow of DIY waste in tonnes pa between the five authorities



Recyclables

According to WasteDataFlow and indicated in Table 16, Caerphilly County Borough Council records the highest amount of recyclables in total, recovering 17,429 tonnes of recyclable material from its HWRCs, a result of the secondary sort of residual skips in Caerphilly. This is over four times the amount that Newport receives (the local authority with the lowest amount of recyclable material received amongst those included in the study). As seen in the previous tables, Cardiff Council receives the highest percentage of recyclables originating outside the authority, at 10.7%. Caerphilly, Newport, RCT and the Vale of Glamorgan receive much lower proportions ranging from 1.1% in the Vale of Glamorgan to 2.9% in Caerphilly. Although Caerphilly receives only 2.9% of recyclables from outside its borders compared to Cardiff’s 10.7%, its higher throughput of recyclables mean that the incoming cross-border tonnage is not far off that of Cardiff.

Table 16 Origin of recyclables by local authority Part 1

Local Authority	Recyclables Throughput (tonnes)	Originating within LA	Originating outside LA	Incoming cross-border recyclables tonnage
Caerphilly	17,429	97.1%	2.9%	512
Cardiff	6,666	89.3%	10.7%	711
Newport	4,157	97.8%	2.2%	91

RCT	7,837	98.5%	1.5%	119
The Vale of Glamorgan	4,493	98.9%	1.1%	49

Table 17 gives data on the origins of recyclables in tonnes per annum. The tonnages for recyclables is high as these are all the materials that are not classed as mixed waste for landfill, garden waste and DIY waste. As with the previous trends for the other forms of waste, Caerphilly receives 186 tonnes of its incoming 512 tonnes of recyclables from Newport county residents, the same amount originates from other local authorities and smaller amounts from Cardiff and RCT.

Cardiff has received 463 tonnes of recyclables from the Vale of Glamorgan, this is a substantial proportion of the recyclables that are received from outside the authority. It should be noted that with stronger enforcement of separation, this figure would be expected to be higher. Cardiff receives over 137 tonnes of recyclables from Caerphilly and lesser amounts from Newport and RCT. Newport has 91 tonnes of recyclables coming into the authority from outside residents, 58 tonnes of this is from Caerphilly. The remaining amount is from other authorities not covered in this study.

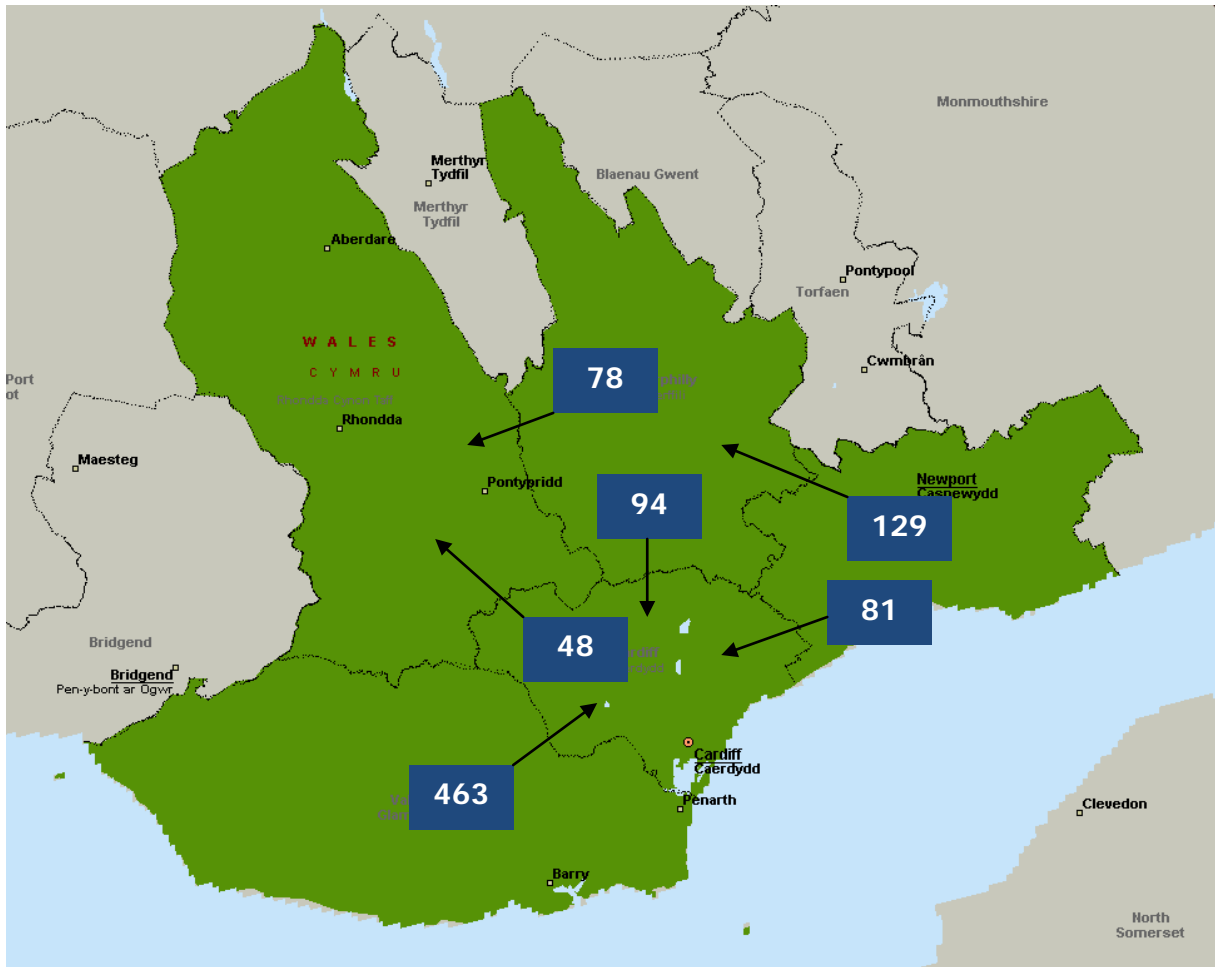
Rhondda Cynon Taff receives 119 tonnes of recyclables from outside the authority; 70 tonnes of this is from Cardiff, nearly 24 tonnes from Caerphilly and the remaining amount from residents from other councils. The Vale of Glamorgan takes just 49 tonnes of recyclables from outside sources, but none of this originates in the other four local authorities in this cross-border use study.

Table 17 Origin of recyclables in tonnes per annum by local authority Part 2

Local Authority	Incoming cross-border recyclables tonnage	Originating in:				
		Caerphilly	Cardiff	Newport	RCT	VoG
Caerphilly	512	-	44	186	102	0
Cardiff	711	138	-	81	22	463
Newport	91	58	0	-	0	0
RCT	119	24	71	0	-	0
The Vale of Glamorgan	49	0	0	0	0	-

Figure 9 shows the net flow of recyclables in tonnes per annum between the five local authorities. Once again, we can see that a significant amount of recyclables moves from the Vale of Glamorgan to Cardiff. Cardiff also receives recyclables from Newport and Caerphilly. Some residents from Cardiff have chosen to use HWRCs in RCT to dispose of their recyclables. We can also see cross-border use of recycling facilities from Caerphilly to RCT.

Figure 9 Net flow of recyclables in tonnes pa between the five authorities



3.3 Financial implications

Cross-border flows of material clearly have the potential to impact upon costs at HWRCs. Table 18 indicates the additional costs per annum associated with the increase in waste in each of the material categories. In addition, there is a column indicating the additional operational costs brought about by the increased proportion of people using the sites. As expected with the relatively high proportion of visitors residing outside the LA, Cardiff bears the largest total additional costs per annum at approximately £430,000 (with mixed waste disposal costs accounting for over a third), almost four times the amount of the next highest authority, Caerphilly and twelve times that of Newport. Therefore although the cross-border usage observed in this study was not great in magnitude, the estimated additional cost of managing the material delivered through cross-border usage is in fact considerable. This is due primarily to the mean operating costs per tonne of £117 across HWRCs in Wales calculated using local authority WasteDataFlow returns and explained in more detail in Table 2.

Table 18 Implications of additional waste on HWRC operational costs

Authority	Additional costs per annum by material				Additional Operating Costs pa	Total Additional Costs pa
	Mixed waste	Green waste	DIY waste	Recyclable*		
Caerphilly	£6,005	£2,185	£2,954	-£63,027	£160,214	£108,331
Cardiff	£146,654	£4,647	£10,560	-£87,485	£353,719	£428,094

Newport	£5,642	£1,614	£721	-£11,198	£37,500	£34,279
RCT	£6,597	£0	£1,895	-£14,652	£49,245	£43,085
Vale of Glamorgan	£7,200	£476	£1,844	-£6,024	£36,413	£39,909

* negative indicates a revenue

Table 19 presents information in the same format as the previous table but shows the savings realised by exporting waste and recycling out of the authority area.

Table 19 Implications of outgoing waste on HWRC operational savings

Authority	Savings per annum by material				Operating Cost savings pa	Total Savings pa
	Mixed waste	Green waste	DIY waste	Recyclable*		
Caerphilly	£2,474	£369	£838	-£73,317	£45,558	-£24,077
Cardiff	£17,114	£597	£3,315	-£10,577	£61,013	£71,462
Newport	£7,868	£1,057	£2,268	-£24,952	£70,285	£56,525
RCT	£9,287	£1,483	£5,190	-£7,808	£97,570	£105,723
Vale of Glamorgan	£68,049	£2,253	£3,195	-£56,867	£234,316	£250,947

* negative indicates a revenue

Summing Table 19 and Table 20 provides an indication of the net costs for each authority of the material flowing in and out of the borders as well as the additional or lower operational costs as a result of increased or reduced use of the sites due to cross-border use. As might be expected, Cardiff bears the largest net cost largely due to the increased operational costs resulting from more than expected numbers as well as a higher mixed waste disposal cost due to an inflow of mixed waste. The Vale of Glamorgan, largely down to the effect of Penarth residents using the Cardiff sites experiences a net saving of approximately £200,000 per annum.

Table 20 Implications of additional waste on net HWRC operational costs

Authority	Net costs per annum by material				Net Operating Costs pa	Net Costs pa
	Mixed waste	Green waste	DIY waste	Recyclable*		
Caerphilly	£3,531	£1,816	£2,116	£10,290	£114,655	£132,408
Cardiff	£129,539	£4,050	£7,245	-£76,908	£292,706	£356,632
Newport	-£2,226	£557	-£1,547	£13,754	-£32,785	-£22,247
RCT	-£2,690	-£1,483	-£3,295	-£6,844	-£48,325	-£62,638
Vale of Glamorgan	-£60,850	-£1,777	-£1,351	£50,843	-£197,903	-£211,038

* negative indicates a revenue

3.4 Implications for recycling rates

Similarly to the preceding section, cross-border flows have implications for recycling rates across the authorities. Table 21 summarises this by calculating the effect that the additional or loss of material has on recycling rates. Interestingly, it is the more urban authorities that

would have higher HWRC recycling rates if there was no cross-border usage. Specifically, Cardiff would see a 0.3% rise to 38.2% and Newport a rise of 1% to 67.9%. The largest fall in recycling rates would be in RCT that would have a rate of 75.2% should cross-border use not exist. Although all authorities experience a change of recycling rate, the magnitude is not high, which is to be expected given the limited cross-border flows observed.

Table 21 Implications of additional waste on HWRC recycling rates

Authority	Net tonnage per annum by material				Reported Recycling rate*	Recalculated Recycling rate
	Mixed waste	Green waste	DIY waste	Recyclable		
Caerphilly	- 226	37	93	- 43	93.1%	92.1%
Cardiff	1,416	181	355	590	37.9%	38.2%
Newport	- 6	- 45	- 95	- 210	66.9%	67.9%
RCT	- 312	- 48	- 191	126	77.4%	75.2%
Vale of Glamorgan	- 816	- 125	- 162	- 463	54.4%	53.0%

* HWRC recycling rate excluding rubble

3.5 Cardiff cross-border use findings

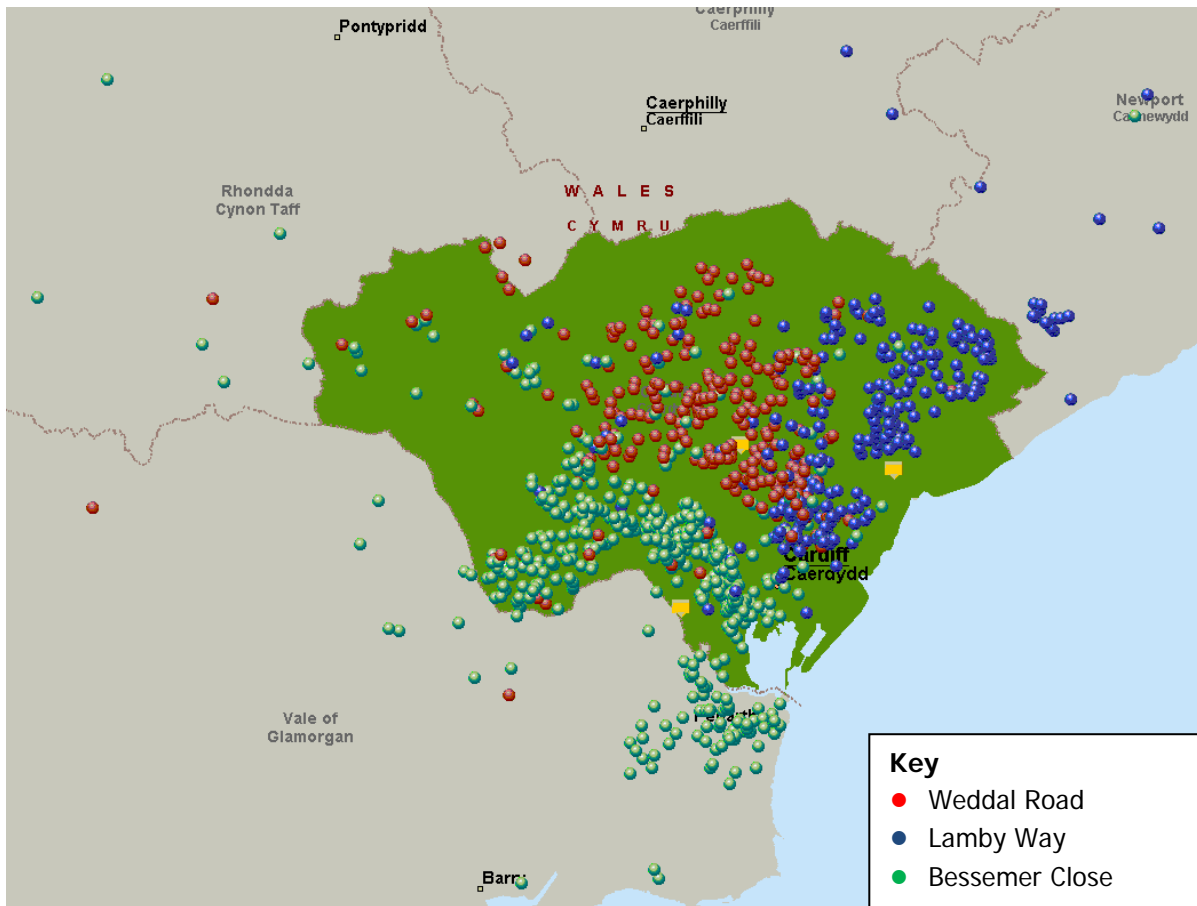
Table 22 below gives the statistics for Cardiff Council's HWRCs. In looking at the figures for the authority, it is worth bearing in mind that Cardiff is the most affected by cross border use, with 10.6% of the total HWRC tonnage throughput material estimated to arise from external origins.

Table 22 General statistics for Cardiff HWRCs 2012/13

No. of HWRCs	3
Total HWRC tonnage throughput	27,484
HWRC arisings, kg/hh/yr	195
HWRC Recycling Rate ex. rubble	37.9%
WDF Residual waste tonnage	13,914

The map in Figure 10 is a visual representation of the field data collected in May. Each coloured dot on the map shows the location that the resident travelled from, by using their postcode data, and which HWRC they visited.

Figure 10 Map of the origin of users at Cardiff HWRCs



The image above shows where residents have travelled from to visit the HWRC sites within the county. Residents on the East side of the authority tend to use the Lamby Way site. Those living in the North and central areas would visit the Weddal Road HWRC and the majority of the Bessemer Close material originates from the South Westerly region of the county. At a glance it can be seen that many residents from Penarth, just South of Cardiff Bay, use the Bessemer Road HWRC. This makes up the bulk of the cross border use for Cardiff Council. The reason for the high use from Penarth is that this site is the nearest site for residents as it is located very close to the border between Cardiff and the Vale of Glamorgan. It is easier for residents of Penarth to visit the Bessemer Road HWRC rather than the Vale of Glamorgan Council's HWRC in Barry.

Table 23 shows the origin of waste received at each of Cardiff's HWRC sites and how much of the waste came from internal or external sources. Bessemer Close HWRC is the site affected most by cross border use. The quantities of waste from external sources are the highest for this site for all types of waste. Of the garden waste that Bessemer Close receives, 29.6% of it is from external origins. Due to its close proximity to Penarth, Bessemer Road receives between 11-15% for mixed waste, DIY waste and recyclable material. Weddal Road HWRC is the least affected by cross border use. All DIY waste tonnage throughputs originates internally, while mixed waste, garden waste and recyclables are all around 95% internal origins. Lamby Way is affected by cross border external sources from Newport and Caerphilly, with 11.6% of its mixed waste coming from other counties.

Table 23 Proportion of different waste types by weight originating inside/outside Cardiff

Site	Mixed waste		Garden		DIY		Recyclables	
	Internal	External	Internal	External	Internal	External	Internal	External

Bessemer Close	86.7%	13.3%	70.4%	29.6%	89.0%	11.0%	84.9%	15.1%
Lamby Way	88.4%	11.6%	94.7%	5.3%	90.0%	10.0%	91.2%	8.9%
Weddal Road	95.2%	4.8%	95.5%	4.5%	100.0%	0.0%	94.8%	5.3%

Table 24 presents the results of the catchment area analysis for the HWRCs in Cardiff and shows that Weddal Road HWRC has a much tighter catchment area with almost a third of visitors living within a one mile radius of the site. The other two sites show very similar catchment areas in that approximately 16% of visitors live within one mile and 87% live within three miles. All three sites show similar catchment at the five-mile radius level (~96%).

Table 24 Catchment area analysis for Cardiff HWRCs

Site	Within 1 mile	Within 3 miles	Within 5 miles
Bessemer Close	16.9%	87.2%	95.9%
Lamby Way	16.6%	87.0%	96.8%
Weddal Road	31.4%	91.0%	96.6%

3.6 Caerphilly cross-border use findings

Table 25 shows the data for the HWRC sites that Caerphilly Council operates. Caerphilly Council receives a similar amount on total HWRC tonnage throughput to Cardiff Council, but only receives 4.8% of waste from cross border use. It has a high recycling rate of 93.1%.

Table 25 General statistics for Caerphilly HWRCs 2012/13

No. of HWRCs	6
Total HWRC tonnage throughput	27,387
HWRC arisings, kg/hh/yr	349
HWRC Recycling Rate ex. rubble	93.1%
WDF Residual waste tonnage	1,447

Figure 11 Map of the origin of users at Caerphilly HWRCs

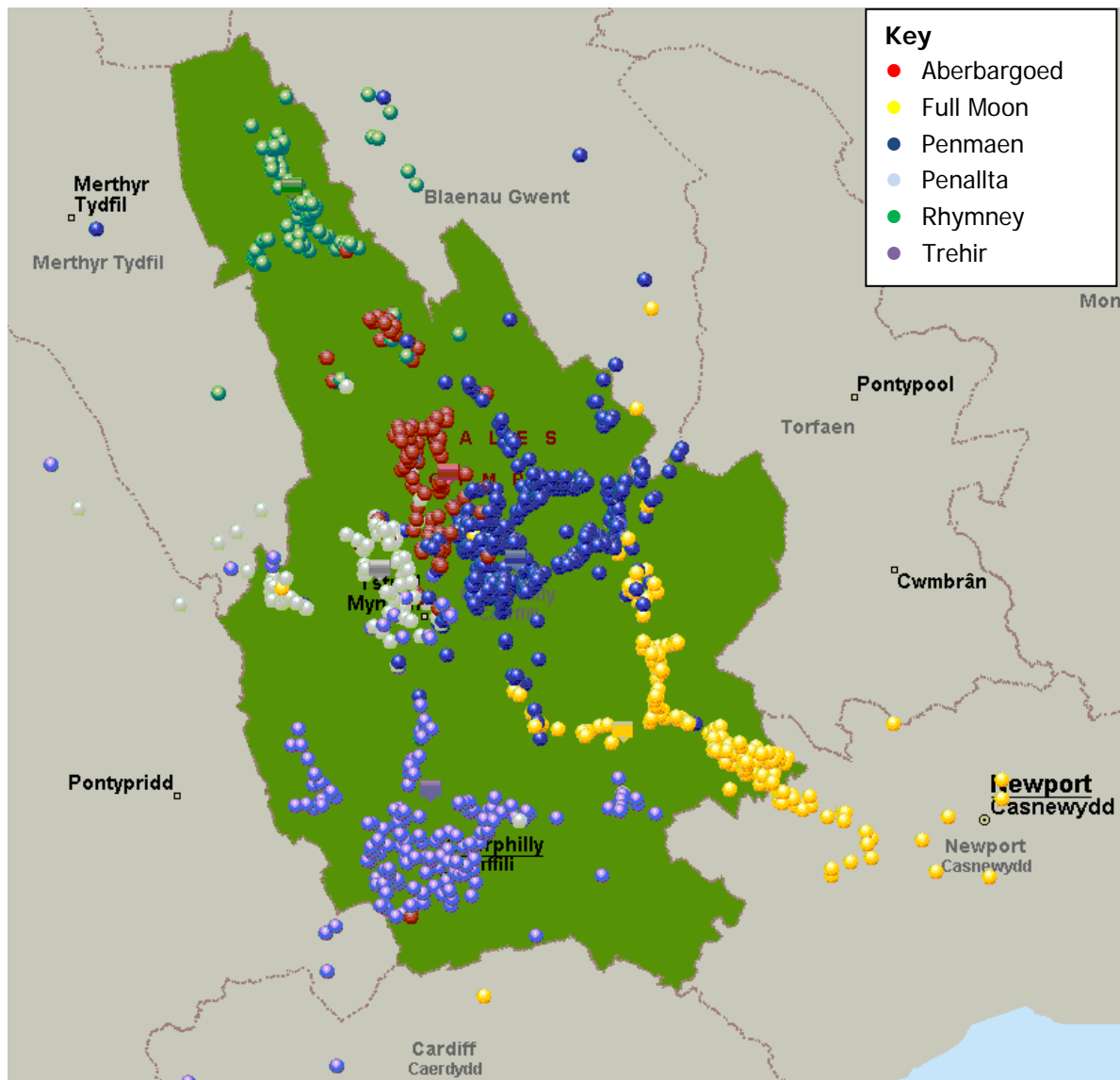


Figure 11 represents the visitors to HWRCs in Caerphilly. The image clearly indicates that the site most affected by cross border use is the Full Moon site, as there are a large number of yellow dots within the county of Newport, which have used the Caerphilly site. The other five sites are little affected by cross border use as we see there are very few cases originating in the neighbouring authorities. The Aberbargoed site receives comparatively little waste from outside the county. Once again we see the trend that most visitors to the sites are visiting the HWRC closest to their home postcode, as the clusters of dots of the same colour suggest.

Residents of Caerphilly tend to dispose of their waste within their home county. All categories of waste have around 96-99% originating with Caerphilly. The highest rate of waste going to a different authority is 2.4% of recyclables being taken to Cardiff council. This may be residents who find it easier to visit the Weddal Road HWRC, due to proximity or due to commuting to Cardiff.

The trend in Table 26 shows that most of the waste generated and brought to HWRCs in Caerphilly has come from internal sources, with most proportions falling in the upper 90s or indeed 100%. The Full Moon site is the site that is most affected by cross border use with around 11-13% of all wastes originating externally.

Table 26 Proportion of different waste types by weight originating inside/outside Caerphilly

Site	Mixed waste		Garden		DIY		Recyclables	
	Internal	External	Internal	External	Internal	External	Internal	External
Aberbargoed	99.9%	0.2%	98.4%	1.6%	98.5%	1.5%	98.9%	1.2%
Full Moon	87.9%	12.1%	88.1%	11.9%	86.4%	13.6%	88.6%	11.4%
Penallta	97.7%	2.3%	97.0%	3.0%	100.0%	0.0%	90.6%	9.4%
Penmaen	95.8%	4.2%	96.1%	3.9%	99.6%	0.4%	97.5%	2.5%
Rhymney	96.9%	3.1%	93.7%	6.3%	100.0%	0.0%	99.6%	0.4%
Treher	92.5%	7.5%	99.3%	0.7%	97.9%	2.1%	99.2%	0.8%

Table 27 indicates that the Full Moon and Rhymney HWRCs in Caerphilly have comparatively sparse catchment proportions at the one and three mile radii. However, the differences flatten out at the five-mile radius at which point at least 94% of visitors are covered for all sites. Of all the sites, Treher HWRC has the tightest catchment distribution with almost two thirds of visitors living with one mile of the site.

Table 27 Catchment area analysis for Caerphilly HWRCs

Site	Within 1 mile	Within 3 miles	Within 5 miles
Aberbargoed	40.1%	89.4%	95.8%
Full Moon	12.7%	76.1%	94.4%
Penallta	53.1%	92.7%	95.8%
Penmaen	42.9%	92.7%	98.6%
Rhymney	18.1%	84.3%	96.7%
Treher	63.6%	93.9%	99.4%

3.7 Newport cross-border use findings

The general statistics of Newport Council's HWRCs presented in Table 28 shows that the total tonnage throughput is much lower than that of Cardiff and Caerphilly, at 10,016 tonnes. The recycling rate is 66.9%; this is significantly lower than that of Caerphilly Council. Similarly to the other dense urban area of the study (Cardiff), Newport shows a low HWRC arisings per household per year figure.

Table 28 General statistics for Newport HWRCs 2012/13

No. of HWRCs	1
Total HWRC tonnage throughput	10,016
HWRC arisings, kg/hh/yr	158
HWRC Recycling Rate ex. rubble	66.9%
WDF Residual waste tonnage	2,588

Figure 12 Map of the origin of users at Newport HWRCs

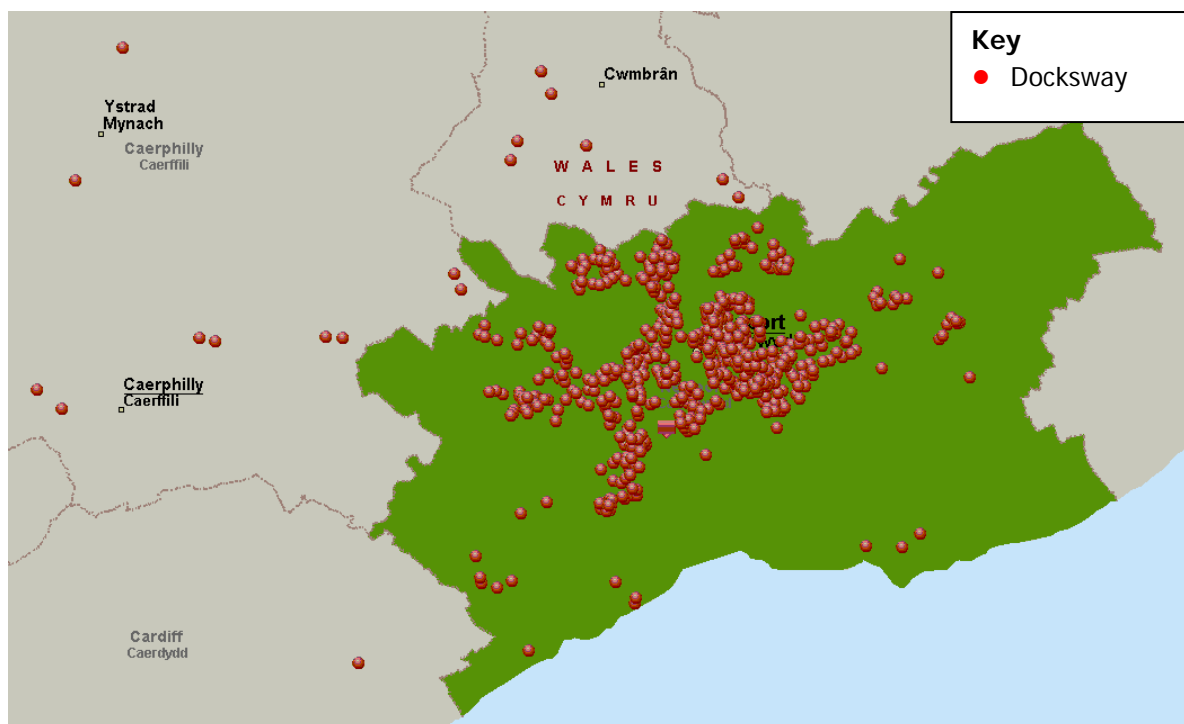


Figure 12 shows that there are some instances where waste material to the HWRC in Newport originate in other authorities. The majority of these are from Caerphilly and Torfaen (the latter not covered in this study).

Regarding cross border use of HWRCs, the waste that originates from within Newport but goes elsewhere, tends to be taken to Caerphilly Council's sites. These are very low levels as Newport's overall cross border use is just 3%. The largest proportion of waste type that originates from outside of the county is garden waste, at 6.5%. Other wastes originating from across the border are relatively low, around 2%.

Table 29 Proportion of different waste types by weight originating inside/outside Newport

Site	Mixed waste		Garden		DIY		Recyclables	
	Internal	External	Internal	External	Internal	External	Internal	External
Docksway	97.8%	2.2%	93.5%	6.5%	98.5%	1.5%	97.8%	2.2%

The catchment area analysis for Docksway HWRC in Newport presented in Table 30 shows a similar pattern to that of Bessemer Close and Lamby Way in Cardiff in that about 1 in 7 people live within one mile raising to about 4 in 5 at the three mile level. Like most of the other urban or suburban sites, over 95% of visitors live within five miles.

Table 30 Catchment area analysis for Newport HWRC

Site	Within 1 mile	Within 3 miles	Within 5 miles
Docksway	15.3%	80.2%	96.2%

3.8 Vale of Glamorgan cross-border use findings

Table 31 shows that the two sites receive 14,820 between them. On average, this is comparatively less per site than Newport. The Vale of Glamorgan's HWRC sites have a

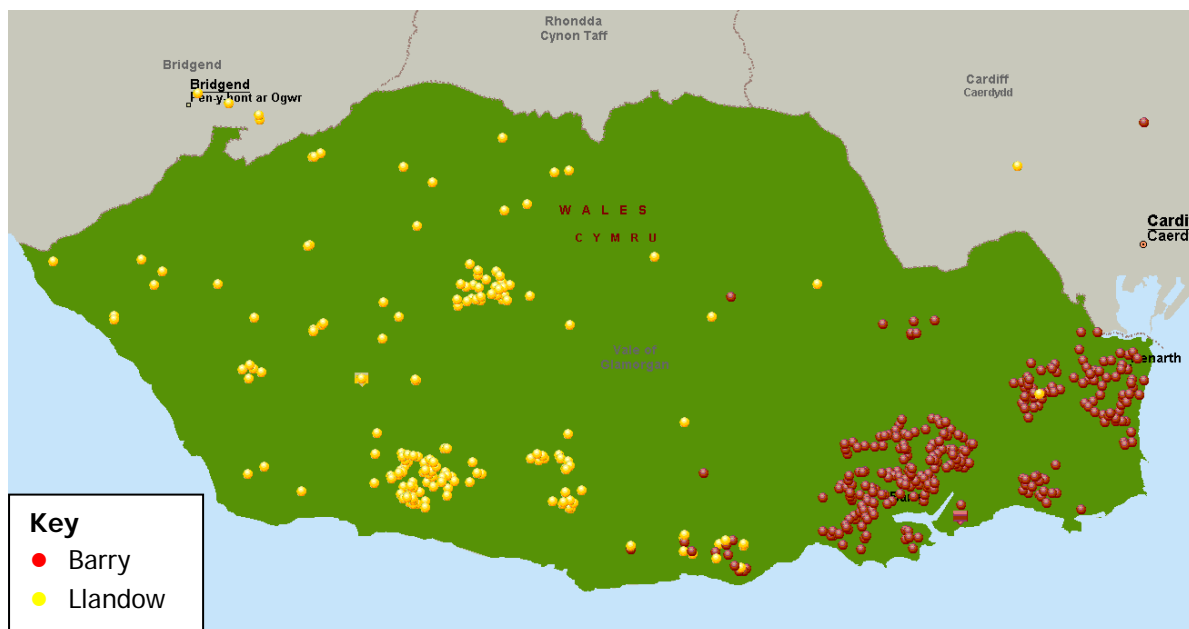
recycling rate of 54.4%; this is lower than the other local authorities in this study, apart from Cardiff. Of the five counties studied in this project, the Vale of Glamorgan is the local authority least affected by cross border use. Just 2.1% of the waste collected at the three sites originates from external origins.

Table 31 General statistics for Vale of Glamorgan HWRCs 2012/13

No. of HWRCs	2
Total HWRC tonnage throughput	14,820
HWRC arisings, kg/hh/yr	260
HWRC Recycling Rate ex. rubble	54.4%
WDF Residual waste tonnage	5,333

Figure 13 indicates which HWRC residents within the Vale of Glamorgan have visited. There is a clear East-West divide within the county, with a split within the village of Rhoose on choice of HWRC.

Figure 13 Map of the origin of users at Vale of Glamorgan HWRCs



Of the cross border use, the Vale of Glamorgan is the county that loses the lowest proportion of waste to neighbouring authorities. Most of this goes to Cardiff Council, with only 1.1% of all mixed waste going to RCT, compared with 11.7% to Cardiff. The county also loses 10.3% of its recyclables to Cardiff.

The Llandow HWRC is the site that is more affected by cross border use (Table 32), as it receives on average 3.9% of its waste from external origins. The main waste type that comes into the county from neighbouring areas is DIY was at 5.9%. The HWRC at Barry is little affected by cross border use. All garden and DIY waste originate from within the county, for residents questioned within our survey. An average of 0.6% of mixed waste and recyclables come from outside the county.

Table 32 Proportion of different waste types by weight originating inside/outside Vale of Glamorgan

Site	Mixed waste		Garden		DIY		Recyclables	
	Internal	External	Internal	External	Internal	External	Internal	External
Barry	99.4%	0.6%	100.0%	0.0%	100.0%	0.0%	99.4%	0.6%
Llandow	97.3%	2.7%	96.7%	3.3%	94.1%	5.9%	98.2%	1.8%

Table 33 indicates that of all the HWRCs in the study area, Llandow in Vale of Glamorgan has the lowest proportion (0.8%) of visitors living within one mile of the site, unsurprising given its rural location between Llandow and Llantwit Major. However, the proportion of visitors living within three miles of the site increases to almost 64%. A relatively low proportion of site users live within one mile of the Barry HWRC as well, again unsurprising given its industrial location in the Atlantic Trading Estate. Within five miles both sites possess high catchment proportions.

Table 33 Catchment area analysis for Vale of Glamorgan HWRCs

Site	Within 1 mile	Within 3 miles	Within 5 miles
Barry	8.9%	70.2%	97.9%
Llandow	0.8%	63.9%	88.5%

3.9 Rhondda Cynon Taff cross-border use findings

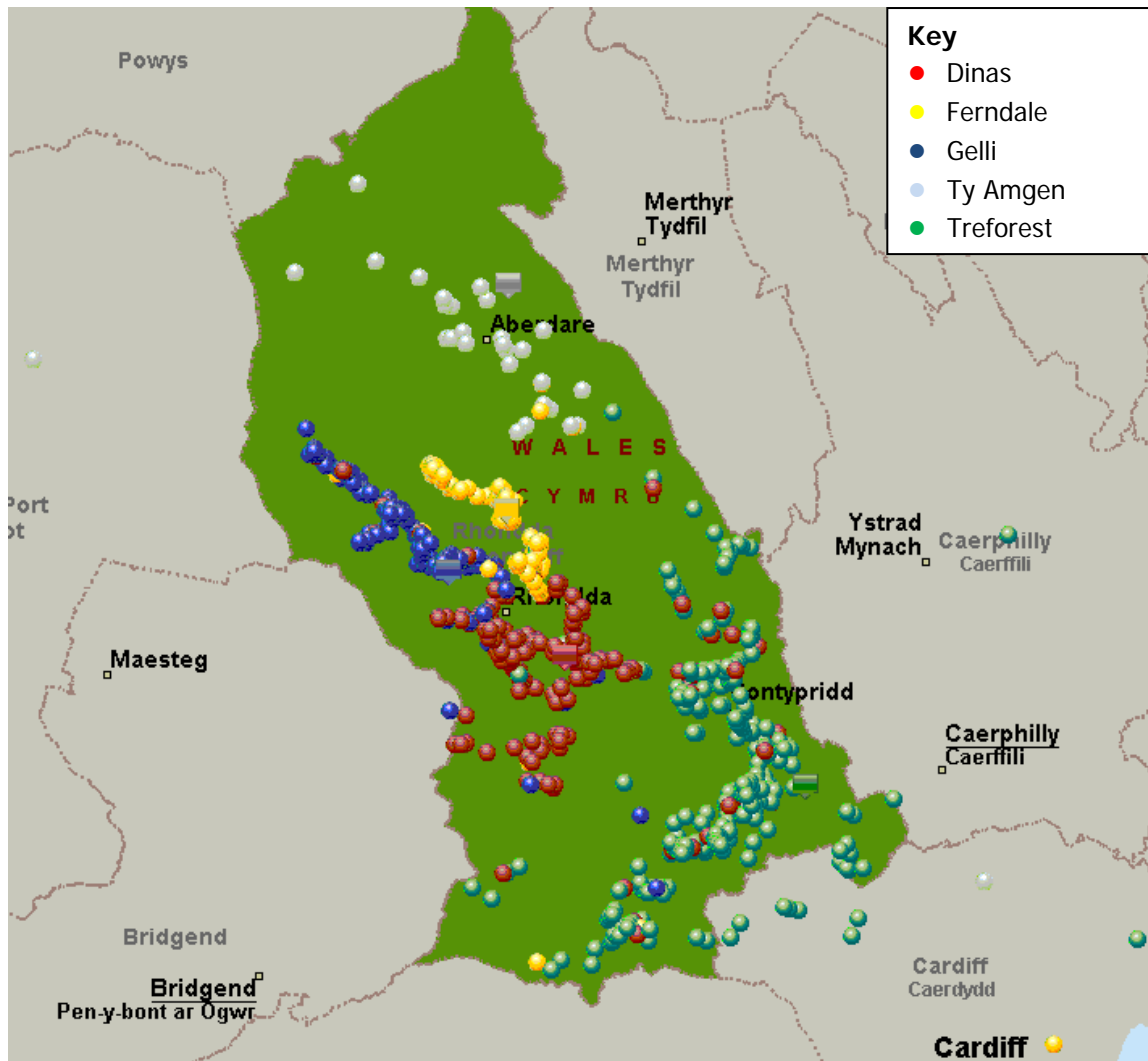
Rhondda Cynon Taff operates five HWRC sites within the local authority. The total tonnage throughput of the sites, at 16,836, is a similar amount to that of the Vale of Glamorgan presented in Table 34. It's throughput is just 2,000 tonnes more but has a higher HWRC recycling rate of 77.4%.

Table 34 General statistics for RCT HWRCs 2012/13

No. of HWRCs	5
Total HWRC tonnage throughput	16,836
HWRC arisings, kg/hh/yr	156
HWRC Recycling Rate ex. rubble	77.4%
WDF Residual waste tonnage	2,587

Residents in the north of the county seem to keep to the HWRC nearest to their home as shown in Figure 14. The natural topography of the county is a contributing factor to this, as the valley formations mean that residents are unlikely to travel the long distances up one valley and down another if it can be avoided. In the South of the county, we can see that some residents seem to choose to visit sites that are not necessarily the closest to their homes. Many residents who live near the Treforest site chose to visit the HWRCs in either the Dinas or Gelli. Reasons for this could be that they may prefer the facilities at another site and that they are not aware of the other facilities. The map also shows that there are some residents living in Cardiff that use the Treforest HWRC.

Figure 14 Map of the origin of users at RCT HWRCs



It is evident that some residents from RCT visit HWRCs outside of their local authority. This is minimal though, as across all waste types 93-99% originates from within the county. A minimal amount of RCT's waste goes to Caerphilly council.

Table 35 shows that mixed waste, garden waste and DIY waste deposited at Dinas HWRC all originate within the county. Only 0.3% of recyclables originate from outside of RCT. The Ferndale HWRC has similar results to Dinas, where 100% of recyclables, garden and DIY waste originate from internal residents of the county. The HWRCs at Gelli and Ty Amgen, again, have very high figures for waste originating within RCT. The site most affected by cross border use in RCT is Treforest, due to its proximity to Cardiff; it receives 6.6% of mixed waste from external sources. All garden waste, within this study, originated from within RCT. Mixed waste and recyclables were the most affected types by cross border use.

Table 35 Proportion of different waste types by weight originating inside/outside RCT

Site	Mixed waste		Garden		DIY		Recyclables	
	Internal	External	Internal	External	Internal	External	Internal	External
Dinas	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%	99.8%	0.3%
Ferndale	99.2%	0.8%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
Gelli	95.9%	4.1%	100.0%	0.0%	100.0%	0.0%	99.8%	0.2%

Treforest	93.4%	6.6%	100.0%	0.0%	93.3%	6.7%	96.5%	3.5%
Ty Amgen	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%	95.3%	4.7%

Table 36 presents the results of the catchment area analysis for HWRCs in RCT and shows that Treforest and Ty Amgen have the lowest concentration of site users within the one mile and three mile radii but - similarly to the HWRCs in Caerphilly – almost 9 in 10 people live within the five mile radius. Of the remaining HWRCs, the Ferndale site has the tightest catchment area with over 96% of users living within three miles of the site.

Table 36 Catchment area analysis for RCT HWRCs

Site	Within 1 mile	Within 3 miles	Within 5 miles
Dinas	24.0%	80.1%	89.6%
Ferndale	41.5%	96.4%	97.4%
Gelli	34.9%	82.2%	97.0%
Treforest	8.4%	53.4%	84.8%
Ty Amgen	6.1%	63.6%	90.9%

4.0 Trade waste analysis

This section includes analysis of household and trade waste flows within and across local authority borders to understand the effect that trade waste has on operational costs. Furthermore, the sites in each authority are studied in detail to identify the approximate additional material that is present as a result of trade waste. The cost of managing this material at each site and for the local authority as a whole is also calculated using up-to-date market values.

Table 37 Household and suspected trade waste proportions by authority and origin

Authority	Total Cross-border Use	Cross-border		Non cross-border		Overall	
		HH	Trade	HH	Trade	HH	Trade
Caerphilly	5.0%	98.7%	1.3%	95.9%	4.1%	96.0%	4.0%
Cardiff	11.0%	96.5%	3.5%	97.3%	2.7%	97.1%	2.9%
Newport	3.2%	98.1%	1.9%	98.9%	1.1%	98.9%	1.1%
RCT	2.5%	94.2%	5.8%	95.8%	4.2%	95.4%	4.6%
Vale of Glamorgan	2.1%	85.7%	14.3%	96.3%	3.8%	96.0%	4.0%
Total	5.6%	96.5%	3.5%	96.7%	3.3%	96.7%	3.3%

HH = Household

Overall, RCT has the highest proportion of traders depositing waste at sites within the authority at 4.6%, as indicated in Table 37. Considering that traders are forbidden to use any site in RCT this is a concern for the authority and it may want to consider charging traders to recover some of the costs arising from the additional material. At the opposite end of the scale, Newport shows the lowest proportion of traders using the site at 1.1%. It is worth bearing in mind that these figures represent the proportion of users not the proportion

by weight and so in the case that traders deposit more waste than the average resident, the proportion of trade waste by weight will be proportionally higher.

In terms of cross-border trade waste deposits, Caerphilly is the only authority whereby the cross-border trade usage is lower than the trade usage within its own borders. In all other authorities, especially Vale of Glamorgan (14.3% compared to 3.8%), the proportion of trade use is higher amongst cross-border users. It is possible that this may be the result of traders feeling that they are more likely to face consequences of trade waste abuse if they deposit waste at sites within their own authority. It is worth noting that the cross-border figures in Table 37 are proportions of the total cross-border use column (e.g. Caerphilly experiences 5% cross-border use of which 1.3% is trade).

Table 38 provides an indication of the additional operational costs associated with the extra burden of trade waste. There is a large range of additional operational costs with Caerphilly bearing the largest brunt, at approximately £128,000 and Newport with only 1.1% trade use bearing just £13,000 of costs due to trade abuse Cardiff and RCT bear approximately £90,000 each and Vale of Glamorgan £70,000. It has been noted that these figures are only estimates based upon the mean operating cost per tonne of all HWRCs in Wales. The table also includes estimated material costs associated with trade waste abuse (detailed in the following authority specific sections) to provide an approximate total additional cost of trade waste abuse for each authority. Similarly to the pattern shown in Table 18 Cardiff is shown to bear the largest cost of trade waste at approximately £127,000 and Newport the least at approximately £15,000.

Table 38 Operational cost implications per annum for trade waste abuse

Authority	Tonnage Throughput	Proportion of traders	Additional Operational Costs*	Additional Material Costs	Total Additional Costs
Caerphilly	27,387	4.0%	£128,171	-£53,495	£74,676
Cardiff	27,484	2.9%	£93,253	£34,149	£127,402
Newport	10,016	1.1%	£12,891	£2,405	£15,296
RCT	16,836	4.6%	£90,611	£3,850	£94,461
Vale of Glamorgan	14,820	4.0%	£69,358	£10,880	£80,238

* £117 per tonne (based on mean total throughput from local authority WasteDataFlow returns)

4.1 Cardiff trade waste use

Comparing the map of trade in Figure 15 and suspected trade use of Cardiff HWRCs with the map of general use in Section 3, it appears that traders using sites in Cardiff appear to originate from the more urbanised areas. There are two reasons why this might be the case; either traders are using their home postcodes and represent a different socio-economic strata than the general population – one that represents a more urbanised population, or that traders used their registered business address, more likely to be in the urban areas. The exact reason is likely to be a combination of the two.

Figure 15 Map of trade and suspected trade use of Cardiff HWRCs



As a whole, the results show that 2.9% of users of HWRCs in Cardiff are traders bringing additional operational costs of approximately £90,000. Considering that the relatively new HWRC Bessemer Close in Cardiff is the only HWRC at which traders are allowed to deposit waste, it is interesting to breakdown the figures by individual site. Table 39 below presents the proportion of Household/Trade waste by weight based on estimated annual tonnages at the individual sites in Cardiff. The results are broken down by the four categories used in the survey – mixed waste, green waste, DIY waste and recyclables. As compositional figures were not available at individual site level, the analysis assumed that each site receives the same material composition (that of Cardiff as a whole) across all sites.

The Lamby Way site is shown in the table to receive a higher proportion of trade waste than Bessemer Close. In fact, Bessemer Close receives the lowest proportion of green and DIY waste amongst the three sites in Cardiff. Cardiff's proportion of trade waste would be far lower if the proportion at Lamby Way was more in line with the other sites. The high proportion at this particular site could indicate that traders are purposefully avoiding Bessemer Close, on recognition that they have to pay to deposit waste there, and choosing to use Lamby Way as a means to reduce costs. We would recommend that Cardiff City Council conduct further research to identify the extent of trade waste abuse at the Lamby Way facility.

Table 39 Proportion of household/trade waste by material category for sites in Cardiff

Site	Tonnage Through put	Mixed waste		Green waste		DIY waste		Recyclables	
		HH	Trade	HH	Trade	HH	Trade	HH	Trade
Bessemer Close	5,437	97.4%	2.6%	99.1%	0.9%	98.7%	1.3%	98.4%	1.6%
Lamby Way	7,116	86.6%	13.4%	88.6%	11.4%	89.0%	11.0%	85.5%	14.5%
Weddal Road	8,389	98.5%	1.5%	97.1%	2.9%	95.0%	5.0%	99.5%	0.5%

Table 40 presents the additional costs associated with managing the waste arising as a result of trade waste use at the Cardiff HWRCs. It should be noted that the table indicates gate fees and revenues only. Haulage fees and other operational costs (presented in Table 38) are not included. Furthermore, all mixed waste is assumed to go to landfill and the landfill tax is apportioned appropriately.

Excluding the additional operational costs, it is clear that Lamby Way HWRC bears the largest material cost of trade waste abuse calculated at approximately £20,000 per annum. This figure includes nearly £50,000 in additional mixed waste management gate fees (including landfill tax at the higher rate) but is reduced thanks to approximately £30,000 in revenue from the sale of recyclables. In reality, the revenue received from the sale of recyclables is expected to be lower due to haulage fees and that of mixed waste to be higher for similar reasons. These figures feed into an overall table (Table 38) placing them alongside other additional operating costs.

Table 40 Additional material costs pa of trade waste by material type for sites in Cardiff

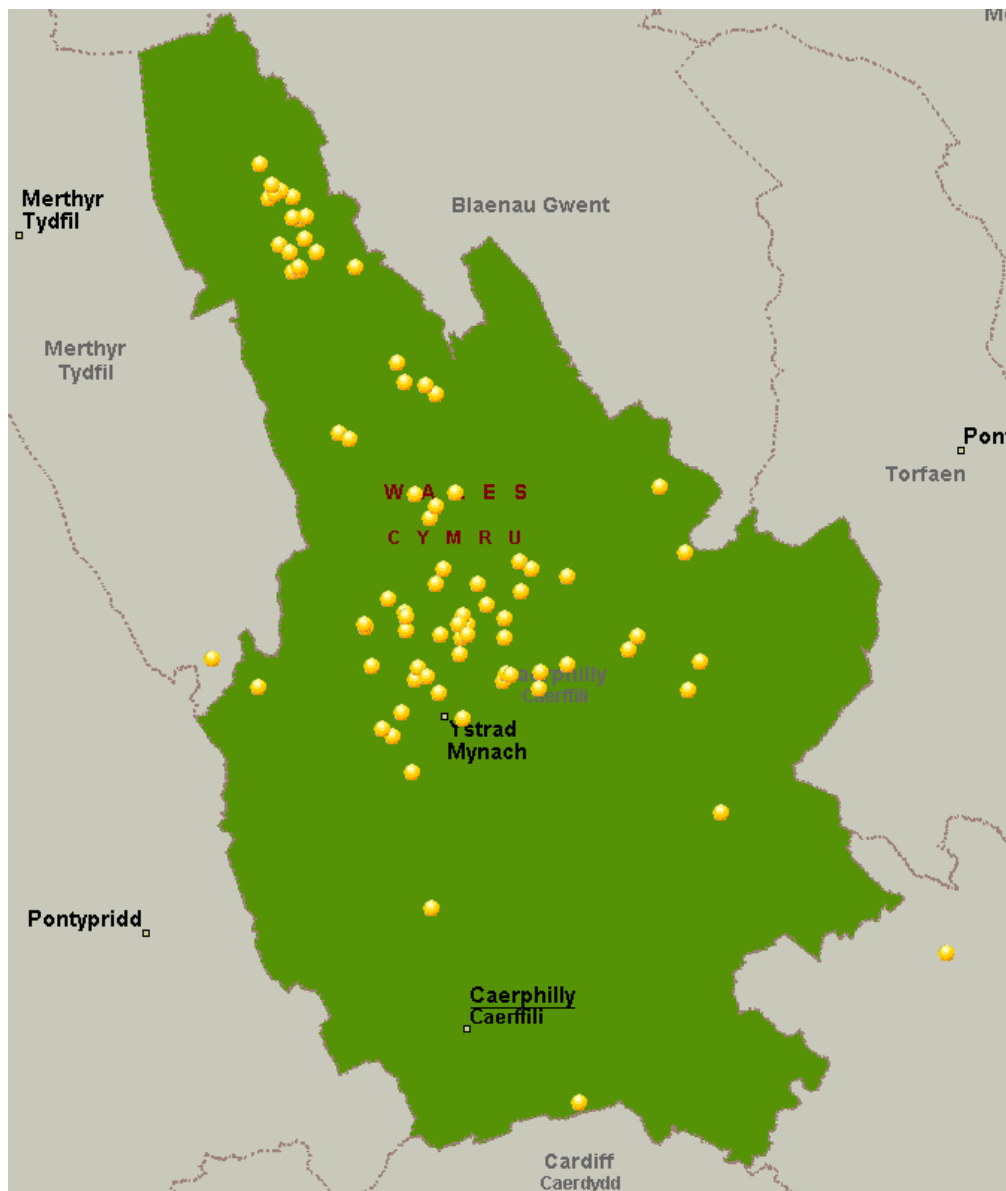
Site	Additional Costs by material from trade waste				Total Material Cost
	Mixed waste	Green waste	DIY waste	Recyclables*	
Bessemer Close	£7,157	£75	£293	-£2,595	£4,930
Lamby Way	£48,275	£1,249	£3,245	-£30,782	£21,986
Weddal Road	£6,371	£375	£1,739	-£1,251	£7,233
Total	£61,802	£1,699	£5,276	-£34,629	£34,149

* negative values indicate revenues

4.2 Caerphilly trade waste use

Figure 16 identifies that traders in Caerphilly are more densely located in the northern half of the authority in comparison to the equivalent map of the general population which is more evenly spread. Similarly to Cardiff, this may be the result of a lower proportion of traders basing themselves around the town of Caerphilly in comparison to the population at large. Furthermore, there are relatively few cases of cross-border trade abuse in the authority (1.3%).

Figure 16 Map of trade and suspected trade use of Caerphilly HWRCs



As might be expected by reviewing the above map in relation to the location of the individual sites in Caerphilly, Trehir and Full Moon (shown in Table 41), those located in the south of the authority receive lower proportions of trade waste than those in the north with the exception of Penmaen. Penallta, located near Ystrad Mynach in Caerphilly, receives a comparatively large proportion of trade waste with over 11% of mixed waste and over 15% of DIY waste coming from traders. Likewise, Aberbargoed experiences a high proportion of trade waste abuse with over a quarter of its DIY waste arising from traders. Of the centrally located sites in Caerphilly (Aberbargoed, Penmaen and Penallta), traders appear to use Aberbargoed and Penallta and refrain from using the Penmaen site. We would recommend further researching why this might be the case.

Table 41 Proportion of household/trade waste by material category for sites in Caerphilly

Site	Tonnage Through put	Mixed waste		Green waste		DIY waste		Recyclables	
		HH	Trade	HH	Trade	HH	Trade	HH	Trade
Aberbargoed	4,189	92.0%	8.0%	92.3%	7.7%	73.2%	26.7%	88.9%	11.1%
Full Moon	3,483	97.2%	2.8%	99.1%	0.9%	97.9%	2.1%	100%	0.0%
Penallta	5,221	88.7%	11.3%	92.2%	7.8%	84.6%	15.4%	95.8%	4.2%
Penmaen	4,346	99.2%	0.8%	98.1%	1.9%	95.5%	4.5%	97.7%	2.3%
Rhymney	2,724	90.9%	9.1%	90.2%	9.8%	59.9%	40.1%	91.5%	8.5%
Treher	6,330	96.9%	3.1%	100%	0.0%	100%	0.0%	99.8%	0.2%

Table 42 below presents the results of the financial analysis of trade waste abuse at the individual sites in Caerphilly. Bearing in mind the same assumptions apply as per the Cardiff analysis, all sites (with the exception of Full Moon and Treher) appear to benefit from the large quantities of recyclables that traders deposit. Again, this income must be balanced with the haulage fees and the additional operational costs to determine whether or not trade waste abuse has a significant financial impact. Considering that the additional operational costs as a result of trade abuse are in the order of £130,000 and the material revenues are in the order of £50,000, we estimate that trade abuse does cost Caerphilly local authority approximately £80,000 per annum. However the material revenues are expected to be lower than this value when haulage costs are included, so the cost is likely to be significantly more than £80,000. Similarly to the previous section for Cardiff, these figures feed into an overall table (Table 38) placing them alongside other additional operating costs.

Table 42 Additional material costs pa of trade waste by material type for sites in Caerphilly

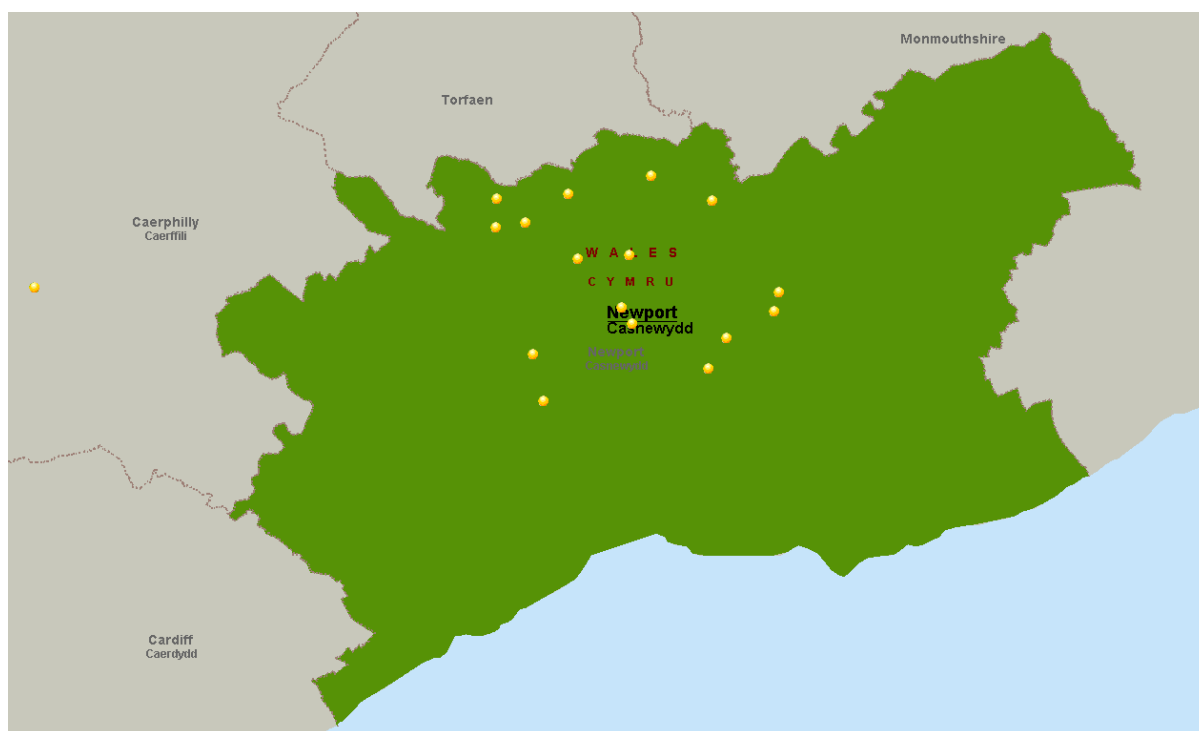
Site	Additional Costs by material from trade waste				Total Material Cost
	Mixed waste	Green waste	DIY waste	Recyclables*	
Aberbargoed	£1,770	£596	£5,799	£-36,398	£-28,233
Full Moon	£515	£58	£379	£0	£952
Penallta	£3,117	£752	£4,169	£-17,165	£-9,127
Penmaen	£184	£153	£1,014	£-7,825	£-6,474
Rhymney	£1,310	£493	£5,664	£-18,125	£-10,658
Treher	£1,037	£0	£0	£-991	£46
Total	£7,932	£2,052	£17,025	£-80,504	£-53,495

* negative values indicate revenues

4.3 Newport trade waste use

Figure 17 presents a map of Newport local authority with the location of traders marked using their postcodes. Newport experiences only 1.1% trade waste abuse and so there are relatively few postcodes to plot. In terms of spread across the authority, traders appear to be relatively evenly spread across the city of Newport with a lower density in the rural fringes.

Figure 17 Map of trade and suspected trade use of the Newport HWRC



The Docksway site in Newport receives less than 1% trade waste abuse of mixed waste and just 0.5% recyclables. The only significant proportion of trade waste abuse in Newport relates to DIY waste where approximately 4.7% arises from traders.

Table 43 Proportion of household/trade waste by material category for sites in Newport

Site	Tonnage Throughput	Mixed waste		Green waste		DIY waste		Recyclables	
		HH	Trade	HH	Trade	HH	Trade	HH	Trade
Docksway	10,016	99.2%	0.8%	97.7%	2.3%	95.3%	4.7%	99.5%	0.5%

The total additional cost of trade waste abuse at Newport arising from material gate fees/revenues is approximately £2,400 although in a similar vein to the other authorities, this figure is likely to be higher as a result of haulage fees being excluded. Adding this total to the additional operational costs of approximately £13,000, Newport spends over £15,000 per annum managing illegal trade waste. This figure, although less significant than the equivalent figure in Caerphilly local authority, is worth investigating further. These figures feed into an overall table (Table 38) placing them alongside other additional operating costs.

Table 44 Additional material costs pa of trade waste by material type for sites in Newport

Site	Additional Costs by material from trade waste				Total Material Cost
	Mixed waste	Green waste	DIY waste	Recyclables*	
Docksway	£2,071	£569	£2,322	-£2,556	£2,405

* negative values indicate revenues

4.4 Vale of Glamorgan trade waste use

Traders using the Barry and Llandow sites in Vale of Glamorgan are concentrated in Barry itself as well as the road between Barry and Penarth. The remaining few traders are spread sporadically across the remainder of the authority.

Figure 18 Map of trade and suspected trade use of Vale of Glamorgan HWRCs



Table 45 indicates that Barry HWRC receives a higher proportion of traders than Llandow in all material categories except recyclables, substantiating the results of the mapping exercise. Approximately a fifth of all the DIY waste passing through the Barry and Llandow sites arise from traders. Just 2.4% of mixed waste in the Barry facility arises as a result of trade abuse.

Table 45 Proportion of household/trade waste by material category for sites in Vale of Glamorgan

Site	Tonnage Throughput	Mixed waste		Green waste		DIY waste		Recyclables	
		HH	Trade	HH	Trade	HH	Trade	HH	Trade
Barry	11,300	97.6%	2.4%	92.7%	7.3%	77.3%	22.7%	95.7%	4.3%
Llandow	3,900	98.7%	1.3%	93.7%	6.3%	80.1%	19.9%	94.1%	5.9%

The below table provides an indication of the additional costs of managing wastes arising from traders at the Barry and Llandow sites in the Vale of Glamorgan. Similarly to the

previous section for Cardiff, the figures feed into an overall table (Table 38) placing them alongside other additional operating costs.

Table 46 Additional material costs pa of trade waste by material type for sites in Vale of Glamorgan

Site	Additional Costs by material from trade waste				Total Material Cost
	Mixed waste	Green waste	DIY waste	Recyclables*	
Barry	£9,759	£2,389	£12,182	-£18,120	£6,209
Llandow	£1,824	£712	£3,686	-£8,581	-£2,359
Total	£11,583	£3,101	£15,867	-£26,701	£3,850

* negative values indicate revenues

4.5 Rhondda Cynon Taff trade waste use

As shown on the map below, traders using sites across RCT to deposit waste are more evenly distributed across the authority than in others. Again there are relatively few cases of cross-border trade abuse (2.5%). Of all the individual sites in the authority, Gelli receives the lowest proportion of mixed waste and recyclables from traders at 0.7% and 0.4% respectively. All sites with the exception of Treforest experience high levels of DIY waste from traders up to as much as 40% at Ty Amgen. Furthermore Ty Amgen receives a lot of green waste from traders potentially a result of its rural location in the north of the authority. It is recommended that the significantly high levels of trade waste, especially at Ty Amgen, is further researched as this could be a potential source of revenue for the authority.

Figure 19 Map of trade and suspected trade use of RCT HWRCs

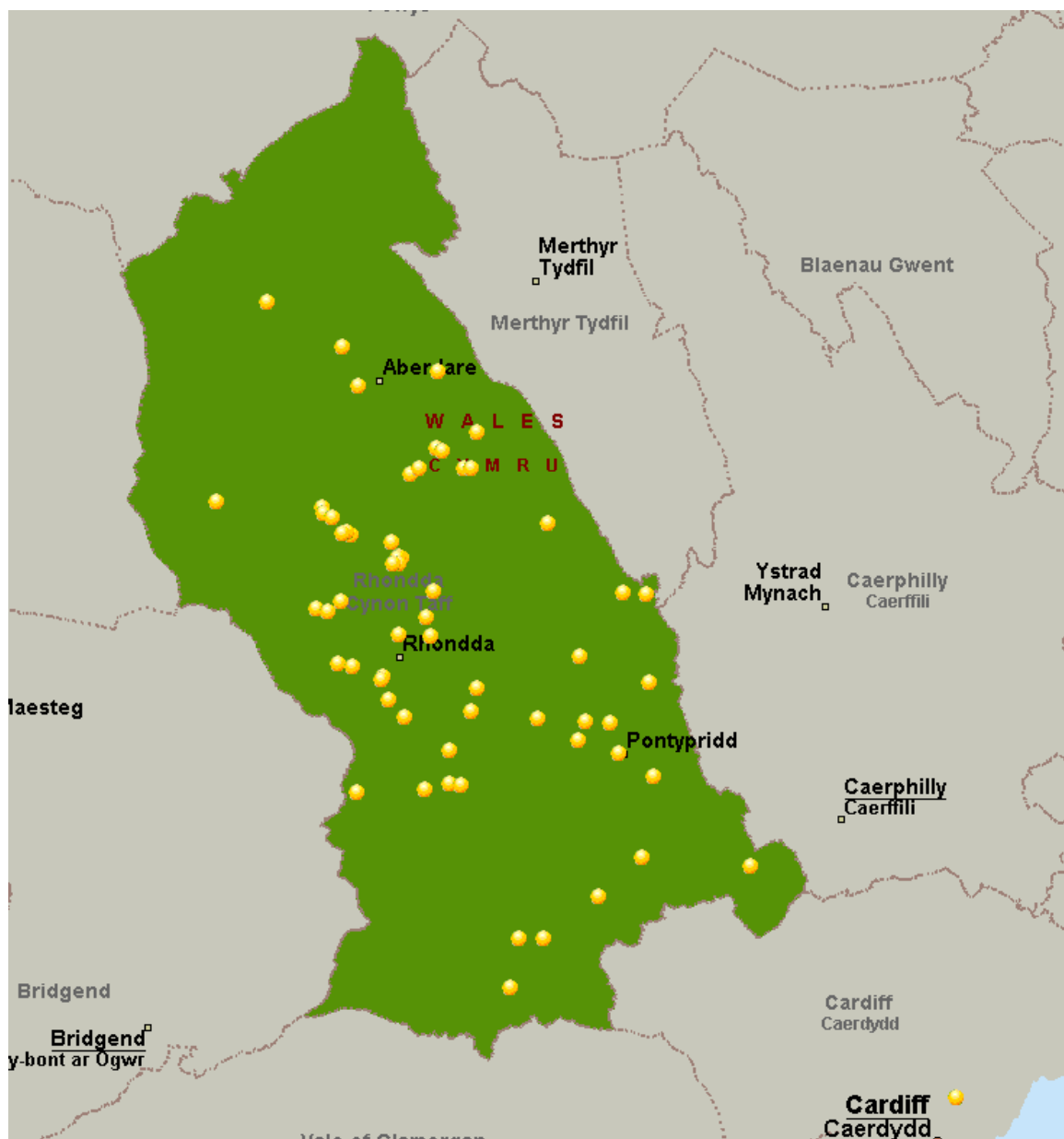


Table 47 Proportion of household/trade waste by material category for sites in Rhondda Cynon Taff

Site	Tonnage Throughput	Mixed waste		Green waste		DIY waste		Recyclables	
		HH	Trade	HH	Trade	HH	Trade	HH	Trade
Dinas	7,229	96.2%	3.8%	90.4%	9.6%	85.7%	14.3%	96.1%	3.9%
Ferndale	1,560	96.5%	3.6%	99.6%	0.4%	63.4%	36.6%	98.4%	1.6%
Gelli	2,828	99.3%	0.7%	92.2%	7.8%	70.5%	29.5%	99.6%	0.4%
Treforest	5,056	97.6%	2.4%	93.5%	6.5%	91.0%	9.0%	96.3%	3.7%
Ty Amgen	3,051	93.2%	6.8%	67.9%	32.1%	60.8%	39.2%	98.2%	1.8%

Of all the sites in RCT, Ty Amgen costs the authority the greatest amount at approximately £10,000 in material costs. Other sites in Treforest and Dinas with larger revenue from recyclables reduce the effect of Ty Amgen on RCT as a whole however the total additional cost is almost £11,000 which includes the effect of landfill tax but excludes haulage fees. Incorporating the additional operational costs of accommodating traders results in a total additional cost of approximately £100,000 per annum. The figures feed into an overall table (Table 38) placing them alongside other additional operating costs.

Table 48 Additional material costs pa of trade waste by material type for sites in Rhondda Cynon Taff

Site	Additional Costs by material from trade waste				Total Material Cost
	Mixed waste	Green waste	DIY waste	Recyclables*	
Dinas	£4,222	£993	£7,411	-£16,142	-£3,516
Ferndale	£863	£9	£4,093	-£1,429	£3,536
Gelli	£304	£316	£5,981	-£648	£5,953
Treforest	£1,865	£470	£3,262	-£10,711	-£5,113
Ty Amgen	£3,188	£1,401	£8,574	-£3,144	£10,020
Total	£10,442	£3,189	£29,322	-£32,073	£10,880

* negative values indicate revenues

5.0 Conclusions and recommendations

The collection of material volume, type of waste and user origin provides an opportunity to compare waste types from different regions as well as the cross-border flow of materials amongst authorities. The following section summarises the salient point emerging from the study and provides some recommendations on ways to counter cross-border flows and trade waste abuse in the five authorities.

5.1 Cross border

User Origin	Caerphilly	Cardiff	Newport	RCT	Vale of Glamorgan	Total
Within the LA	95.0%	89.0%	96.8%	97.5%	97.9%	94.4%
Outside the LA	5.0%	11.0%	3.2%	2.5%	2.1%	5.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The vast majority of visitors to the HWRCs, both external and internal, gave the reason for choosing that site was because it is the closest to where they lived. External visitors tended to be less aware of other sites locally, with 9.4% visiting a site for this reason. This reason would perhaps account for cross border usage.

As Cardiff is home to large employers such as Cardiff Council, the Welsh Government, universities, hospitals and numerous private companies and firms it is expected that this would be the local authority to be most affected by cross border use. The three HWRC sites at Bessemer Close, Lamby Way and Weddal Road are all located close to the main routes of the city (A470, A4232 and A48). People from neighbouring authorities visit the city on a regular basis to make use of the shops and leisure amenities, sometimes incorporating a visit to the HWRC due to their convenience. Cardiff's HWRC at Bessemer Road is the most affected site across all sites in the study, due to its close proximity to Penarth, where for residents it is the closest household recycling centre to their home and place of employment.

The reason for the high use from Penarth is that this site is the nearest site for residents as it is located very close to the border between Cardiff and the Vale of Glamorgan. It is easier for residents of Penarth to visit the Bessemer Road HWRC rather than the Vale of Glamorgan Council's HWRC in Barry.

Cardiff's HWRCs receive 10.5% of mixed waste from external sources. As the mixed waste throughput tonnage for Cardiff is much larger than the other authorities to begin with, the incoming cross-border mixed waste is significantly higher (~1,500 tonnes compared to 50-75 tonnes for the other authorities) as a result of the high cross-border proportion. An important consequence of this is that it also equates to an additional financial cost associated with dealing with the additional material. Cardiff was found to bear the largest additional cost at approximately £430,000 per annum (£350,000 net costs per annum).

5.2 Trade waste

Overall, RCT has the highest proportion of traders depositing waste at sites within the authority at 4.6% as indicated in Table 37. Considering that traders are forbidden to use any site in RCT this is a concern for the authority and it may want to consider charging traders to recover some of the costs arising from the additional material. At the opposite end of the scale, Newport shows the lowest proportion of traders using the site at 1.1%. It is worth bearing in mind that these figures represent the proportion of users not the proportion by weight and so in the case that traders deposit more waste than the average resident, the proportion of trade waste by weight will be proportionally higher.

In terms of cross-border trade waste deposits, Caerphilly is the only authority whereby the cross-border trade usage is lower than the trade usage within its own borders. In all other authorities, especially Vale of Glamorgan (14.3% compared to 3.8%), the proportion of trade use is higher amongst cross-border users. It is possible that this may be the result of traders feeling that they are more likely to face consequences of trade waste abuse if they deposit waste at sites within their own authority. The Docksway site in Newport receives less than 1% trade waste abuse of mixed waste and just 0.5% recyclables. The only significant proportion of trade waste abuse in Newport relates to DIY waste where approximately 4.7% arises from traders.

There is a large range of additional operational costs with Caerphilly bearing the largest brunt at approximately £128,000 and Newport with only 1.1% trade use bearing just £13,000. Cardiff and RCT bear approximately £90,000 each and Vale of Glamorgan £70,000. It has been noted that these figures are only estimates based upon the mean operating cost per tonne of all HWRCs in Wales. Adding the operational costs to the material costs associated with trade waste, Cardiff is shown to bear the largest total cost of trade waste at approximately £127,000 and Newport the least at approximately £15,000.

Aberbargoed experiences a high proportion of trade waste abuse with over a quarter of its DIY waste arising from traders. Of the centrally located sites in Caerphilly (Aberbargoed, Penmaen and Penallta), traders appear to use Aberbargoed and Penallta and refrain from using the Penmaen site. We would recommend further researching why this might be the case.

As trade waste has been a contributing factor to cross border use, this highlights the abuse of the sites from suspected traders. In order to reduce the misuse of all local authorities' HWRC site, we would recommend that councils add a message via public communications. This may be through the council website or press release. Residents need to be given a clear message to ensure that any waste produced through the employment of tradesmen or builders should be disposed of properly and should not be taken to an HWRC. Local authorities which do not currently have a restriction on vans and commercial vehicles entering their HWRC sites should introduce this.

Alternatively, a disclaimer system, where residents with vans or trailers apply for a tipping permit or by registering their vehicle registration through the council switchboard should be introduced. This would not alienate van owners whilst deterring tradesmen.

A further recommendation for local authorities to consider would be to provide training to staff in order for them to feel like they can challenge suspected traders. This could come in the form of security guard or door supervisor training, which may include physical intervention and self defence training. Of course, the safety of HWRC site staff is paramount but this additional training could allow staff to confidently approach suspected traders. This would help to reduce suspected trade abuse over time.

Appendix 1 Questionnaire

Researcher:	Site:	Date:	Time:
Weather conditions:		Level of congestion:	

"Hello. Do you mind if I ask you a few questions? It should not take longer than about 2-3 minutes."

"We are looking at where the public come from and how they use this site." ("This survey is being carried out on behalf of WRAP and the local authority.")

Type of vehicle:

Commercial	
Non-commercial	

Type of waste:

H	
T?	
T	

Where H is Household, T? Is suspected trade waste and T is trade waste

Q1. Please could you tell us your home postcode?

	<i>(If not willing to give full postcode, ask for first part of postcode)</i>
--	---

Interviewer to make an assessment of the volume of the load.

<input type="checkbox"/>	Low <i>(i.e. up to a car boot full)</i>
<input type="checkbox"/>	Medium <i>(i.e. up to a full estate car packed to the roof)</i>
<input type="checkbox"/>	High <i>(i.e. anything above medium: van loads, trailers etc.)</i>

Q2. What types of material have you brought to the site today?

<input type="checkbox"/>	Mixed waste	
<input type="checkbox"/>	Garden waste	
<input type="checkbox"/>	DIY waste (e.g. tiles, rubble etc.)	
<input type="checkbox"/>	Recyclables	
<input type="checkbox"/>	Other	

Where possible, ask interviewees to list the top three materials in order of priority. Mark the largest denomination as "1", the next as "2", and the third as "3".

Q3. How many times do you visit this site over a whole year?

<input type="checkbox"/>	1 - 3	<i>up to 3 times a year</i>
<input type="checkbox"/>	4 - 12	<i>up to once a month</i>
<input type="checkbox"/>	13 - 24	<i>up to once a fortnight</i>
<input type="checkbox"/>	25 - 52	<i>up to once a week</i>
<input type="checkbox"/>	53+	<i>more than once a week</i>

If enough time:

Q4. Is there any particular reason why you use this site rather than any other sites?

DO NOT PROMPT interviewees to reply to a list of options initially, unless they cannot give an unprompted reply.

<input type="checkbox"/>	This site is closest to where I live	
<input type="checkbox"/>	Not aware of any other sites locally	
<input type="checkbox"/>	More facilities at this site (i.e. recycling of particular materials), Specify which facilities:	
<input type="checkbox"/>	Other reason, specify:	

End of questionnaire

"Thank you for your time."

Appendix 2 Local Authority HWRC Details

The following provides an overview of each HWRC site including opening times and trade waste measures currently in place.

Cardiff

Table 49 Details of HWRCs in Cardiff

HWRC	Opening hours	Trade waste accepted?	Permit system in place?	Height barrier?
Bessemer Way, CF11 8XH	Seven days a week, 07:00-18:45	Yes	No, trade waste is charged by weight	No
Lamby Way, CF3 2HP	Seven days a week, 07:00-18:45	No	No	No
Wedal Road, CF14 3QX	Monday – Friday, 07:00-18:45 Saturday and Sunday, 10:00-18:45	No	No	No

Caerphilly

Table 50 Details of HWRCs in Caerphilly

HWRC	Opening hours	Trade waste accepted?	Permit system in place?	Height barrier?
Aberbargoed, CF81 9EP	Summer (1 April to 30 September), seven days a week, 09:00-18:00 Winter (1 October to 31 March), seven days a week, 09:00-16:30	No	From 1 st July 2014 – permit system in place for small vans and small trailers. Permit required for larger vans. Vans larger than Ford Transit size are not permitted on the site.	No
Full Moon, NP11 7BD				No
Penallta, CF82 7ST				No
Penmaen, NP12 2XZ				No
Trehir, CF83 3RP				No
Rhymney, NP22 5PW				No

Newport

Table 51 Details of HWRCs in Newport

HWRC	Opening hours	Trade waste accepted?	Permit system in place?	Height barrier?
Docks Way, NP20 2NS	Monday – Friday, 07:30-16:30 Saturday, 09:00-16:30 Sunday, 10:00-14:00	Yes	No, waste charged by weight	Yes, 1.8 metres at approach ramp. Another barrier (1.8 metres) in place at main gate a certain times of the day.

Vale of Glamorgan

Table 52 Details of HWRCs in Vale of Glamorgan

HWRC	Opening hours	Trade waste accepted?	Permit system in place?	Height barrier?
Barry, CF63 3RF	Summer (April to October) Seven days a week, 08:00-18:00 Winter (November to March) Seven days a week, 10:00-16:00	No	Yes – users with vans/trailers to apply for permit online	Yes
Llandow, CF71 7PB	Summer (April to October) Seven days a week, 10:00-17:00 Winter (November to March) Seven days a week, 10:00-16:00	No	Yes – users with vans/trailers to apply for permit online	No

Rhondda Cynon Taff

Table 53 Details of HWRCs in Rhondda Cynon Taff

HWRC	Opening hours	Trade waste accepted?	Permit system in place?	Height barrier?
Ty Amgen, CF44 OBX	Summer (April to September) Seven days a week, 08:00-19:30 Winter (October to March) Seven days a week, 08:00-17:30	No	N/A	No
Dinas, CF39 9BL		No	N/A	Yes
Nantygwyddon Road, CF41 7TL		No	N/A	No

North Road, CF43 4RS		No	N/A	Yes
Ty Glan Taff, CF37 5TT		No	N/A	Yes

**Waste & Resources
Action Programme**

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OX16 0AH

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Ref: RDB/RC/BD/09.06.15

17th June 2015

Councillor Bob Derbyshire,
Cabinet Member for the Environment,
County Hall,
Atlantic Wharf,
Cardiff,
CF10 4UW.



Dear Councillor Derbyshire,

Environmental Scrutiny Committee – 9th June 2015

On behalf of the Environmental Scrutiny Committee I would like to thank the officers for attending the Committee meeting on Tuesday 9th June 2015. As you are aware the meeting considered items titled 'Draft City Operations Directorate Delivery Plan' and 'Household Waste Recycling Centres – Proposed Changes'. The comments and observations made by Members following these items are set out in this letter.

Draft City Operations Directorate Delivery Plan

- Members noted that the presentation delivered by the Assistant Director for the Environment cited a spend of £73 million per annum for the services to be included within the new Alternative Delivery Model. The figure quoted during the recent task & finish exercise was £55 million, i.e. a difference of £18 million. I'd be grateful if you could provide an explanation for this variation; a breakdown of all the services to be included in the new Alternative Delivery Model; the budget for each of these and the number of FTE staff working in each of these services. The information should be based on the outturn figures for 2014/15.

Household Waste Recycling Centres – Proposed Changes

- The Committee noted the proposals put forward during your presentation on the 'Household Waste Recycling Centres – Proposed Changes'. Opinions were mixed on the two main options, i.e. to build a new site at Lamby Way or instead focus on the development of the Wedal Road site.

It was acknowledged that the Lamby Way site was based in an industrial area and, therefore, presented less of an immediate impact on local residents. At the same time the Wedal Road site appears to be a more convenient site for many parts of the north of the city.

- The presentation provided a list of distances from various parts of the north of the city to the Lamby Way and Wedal Road sites. Members were not convinced by the distances stated and in particular the travelling times quoted. For the benefit of any future consultation I would be grateful if you could ask officers to review this information and provide the Committee with a set of revised figures, if it proves to be the case that those quoted are inaccurate or unrealistic.

Draft Infrastructure Business Model & Alternative Delivery Options Task & Finish Report

- At the meeting the Committee reviewed the 'Draft Infrastructure Business Model & Alternative Delivery Options Task & Finish Report'. After reviewing the content of the document Members accepted the draft report without the need to make any alterations. The Policy Review & Performance Scrutiny Committee will have the opportunity to consider the draft report on the 7th July. It is hoped that after this meeting (and subject to any required changes) the report will be finalised and provided to Cabinet for consideration at their next available meeting.

As a final comment and for future reference I would ask that all future Environmental Scrutiny Committee presentations are kept to a maximum of ten minutes. This in my view will ensure that adequate time is always allocated for Member questions.

I would be grateful if you would consider the above comments and provide a response to the requests made in this letter.

Regards,

A handwritten signature in black ink, appearing to read 'R Cook', written in a cursive style.

Councillor Ralph Cook
Chairperson Environmental Scrutiny Committee

Cc to:

Jane Forshaw, Director for the Environment
Andrew Gregory, Director for Strategic Planning, Highways, Traffic &
Transport
Tara King, Assistant Director for the Environment
Jane Cherrington, Operational Manager – Strategy & Enforcement
Pat McGrath, Operational Manager, Infrastructure & Projects
Paul Keeping, Operational Manager, Scrutiny Services
Joanne Watkins, Cabinet Office Manager
Members of the Environmental Scrutiny Committee

**CABINET SUPPORT OFFICE
SWYDDFA CYMORTH Y CABINET**

My Ref: CM31299
Your Ref: RDB/RC/BD/09.06.15
Date: 10th July 2015



County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088

Chair of Environmental Scrutiny Committee
c/o Scrutiny Services
Room 263D
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Annwyl / Dear Chair

Environmental Scrutiny Committee 9 June 2015

I refer to your correspondence dated 17 June 2015 regarding the Environmental Scrutiny held 9 June 2015.

Draft City Operations Directorate Delivery Plan

I am sure you can appreciate that the scoping work carried out on the alternative delivery model has meant changes and firming of the project scope. The current areas in scope are:-

Directorate	Service Area(s)
Environment	<ul style="list-style-type: none"> • Waste Collections (Commercial and Residential) • Street Cleansing • Waste Treatment and Disposal • Waste Education and Enforcement • Pest Control
Culture, Leisure and Parks	<ul style="list-style-type: none"> • Parks Management and Development
Strategic Planning, Highways, Traffic and Transport	<ul style="list-style-type: none"> • Highways Operations • Highways Asset Management • Infrastructure Design and Construction Management
Resources	<ul style="list-style-type: none"> • Central Transport Services • Hard Facilities Management • Soft Facilities Management Cleaning • Soft Facilities Management Security
Economic Development	<ul style="list-style-type: none"> • Projects, Design and Development

As the in-house improvements continue in parallel to the ADM work we are currently updating the FTE and budget costs with the changes from 14/15 to 15/16. Once this revised data set has been fully validated it can be shared.

PLEASE REPLY TO: Cabinet Support Office, Room 514, County Hall, Atlantic Wharf,
Cardiff CF10 4UW

Tel (029) 2087 2631 Fax (029) 20872691



Household Waste Recycling Centres – Proposed Changes

The route tracking information to the two sites have been checked for the time of day they were assessed as completed through Google Live Traffic. This work was carried out at 2pm on Friday 5 June 2015. However, it is acknowledged that this will vary at peak and off peak traffic times, therefore travel times will inevitably vary. To further qualify the data that will be used in due course on the website traffic officers will be running these routes at different times to have additional information and also carrying out live car journeys to complete the validation.

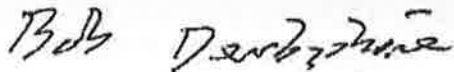
Draft Infrastructure Business Model & Alternative Delivery Options Task & Finish Report

I can confirm that it is intended that the report of the Task and Finish Group will be considered at its meeting on 16 July 2015 where a response to the report will also be agreed.

I also note your comments about the length of presentations and will feed this back to officers. I am sure you can appreciate some of these discussions points are complex, but we will do our best to ensure we limit the presentation length in future.

I trust this is of some assistance. If you have any further enquiries, please do not hesitate to contact me.

Yn gwyir,
Yours sincerely,



Councillor / Y Cynghorydd Bob Derbyshire
Cabinet Member Environment
Aelod Cabinet Dros Yr Amgylchedd

Cardiff Council

Statutory Screening Tool Guidance

Appendix E



If you are developing a strategy, policy or activity that is likely to impact people, communities or land use in any way then there are a number of statutory requirements that apply. Failure to comply with these requirements, or demonstrate due regard, can expose the Council to legal challenge or other forms of reproach.

For instance, this will apply to strategies (i.e. Housing Strategy or Disabled Play Strategy), policies (i.e. Procurement Policy) or activity (i.e. developing new play area).

Completing the Statutory Screening Tool will ensure that all Cardiff Council strategies, policies and activities comply with relevant statutory obligations and responsibilities. Where a more detailed consideration of an issue is required, the Screening Tool will identify if there is a need for a full impact assessment, as relevant.

The main statutory requirements that strategies, policies or activities must reflect include:

- **Equality Act 2010 - Equality Impact Assessment**
- **Welsh Government's Sustainable Development Bill**
- **Welsh Government's Statutory Guidance - Shared Purpose Shared Delivery**
- **United Nations Convention on the Rights of the Child**
- **United Nations Principles for Older Persons**
- **Welsh Language Measure 2011**
- **Health Impact Assessment**
- **Habitats Regulations Assessment**
- **Strategic Environmental Assessment**

This Statutory Screening Tool allows us to meet all the requirements of all these pieces of legislation as part of an integrated screening method that usually taken no longer than an hour.

The Screening Tool can be completed as a self assessment or as part of a facilitated session, should further support be needed. For further information or if you require a facilitated session please contact the Policy, Partnerships and Citizen Focus Team on 02920 72685 e-mail: nwood@cardiff.gov.uk. Please note:

- **The completed Screening Tool must be submitted as an appendix with the Cabinet report.**
- **The completed screening tool will be published on the intranet.**

2.C.PPCF.002	Issue 2	Aug 13	Process Owner: Rachel Jones (OM)	Authorisation: Chief Officer Communities, Housing	Page 1 of 10
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Statutory Screening Tool

Name of Activity: Household Waste Recycling Centres and Re Use Facility	Date of Screening: 15.06.15
Service Area/Section: City Operations – Waste Treatment & Disposal	Lead Officer: Pat McGrath – Operational Manager, Waste Projects
Attendees: Screening completed by Tara King, Pat McGrath	

What are the objectives of the Project	Please provide background information on the Policy/Strategy/Project/Procedure/Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]
<p>Following Council budget setting in 2013/14 and 2014/15, the 4 household recycling centres were to be reduced from 4 to 2. This was proposed to be implemented through the closure of the Waungron Road site 27th April 2014, keeping the larger Bessemer Close site and following the construction of a new larger, the closure of the current smaller recycling sites at Wedal Road. Following pre planning consultation, a review of the new Wedal Road site location was compared to a new potential location at Lamby Way. In a Cabinet Report on 16th July 2015, it is a recommendation that the new HWRC site location is at Lamby Way.</p> <p>This project will also look at improving and introducing operational processes at the recycling sites with regard to:</p> <ul style="list-style-type: none"> • The introduction of seasonal opening hours of 12 hours per day in the Summer and 8 hours per day in the Winter • The use of vehicle automatic number plate recognition systems to monitor and record site usage and frequency • A review of the current Van Policy and the number of times they can use the sites free of charge • The introduction of the Commercial waste transfer station at the Bessemer Close site • The commercial charging of non Cardiff residents for their waste 	<p>A Rapid Improvement Event (Lean Management) was carried out in August 2013, that identified that the four recycling centres were significantly underutilised at an overall rate of 69% compared to their available operational capacities.</p> <p>Waste Resources Action Programme (WRAP) Guidance on HWRC's agrees with the proposed future state of 2 recycling centres.</p>

recycling and disposal

- **Increasing waste diversion from disposal to recycling to 80%**

This project will also plan to provide a new Re Use facility that through a Third Party service provider, would receive household items and inspect, electrically test where appropriate, repair and sell back to Cardiff residents at an affordable rate.

Part 1: Impact on outcomes and due regard to Sustainable Development

Please use the following scale when considering what contribution the activity makes:		
+	Positive	Positive contribution to the outcome
-	Negative	Negative contribution to the outcome
ntrl	Neutral	Neutral contribution to the outcome
Uncertain	Not Sure	Uncertain if any contribution is made to the outcome

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
1.1	<p>People in Cardiff are healthy; Consider the potential impact on</p> <ul style="list-style-type: none"> the promotion of good health, prevention of damaging behaviour, promote healthy eating/active lifestyles etc, vulnerable citizens and areas of multiple deprivation Addressing instances of inequality in health 			X		
Page 553	<p>People in Cardiff have a clean, attractive and sustainable environment; Consider the potential impact on</p> <ul style="list-style-type: none"> the causes and consequences of Climate Change and creating a carbon lite city 				x	
	<ul style="list-style-type: none"> encouraging walking, cycling, and use of public transport and improving access to countryside and open space 			x		Only vehicular site access is permitted to the recycling centres
	<ul style="list-style-type: none"> reducing environmental pollution (land, air, noise and water) 			x		The amount of waste received at the previous four sites, will still need to managed by the remaining two. Travel distances are being reviewed as part of the Environmental Impact Assessment required for the planning application process
	<ul style="list-style-type: none"> reducing consumption and encouraging waste reduction, reuse, recycling and recovery 	X				Reuse and upcycling of goods is a key outcomes desired form these changes, encouraging waste reduction and recovery
	<ul style="list-style-type: none"> encouraging biodiversity 				x	Planning application will require an Environmental Impact Assessment that will include a Habitats Assessment and Ecological Assessment. The new sites design can incorporate the potential output recommendations from these assessments

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
1.3	<p>People in Cardiff are safe and feel safe; <i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> reducing crime, fear of crime and increasing safety of individuals addressing anti-social behaviour protecting vulnerable adults and children in Cardiff from harm or abuse 				x	There is a risk that waste fly tipping will increase with the closure of the two recycling sites with perceived further travelling compared to the current site locations. Travel checks are being calculated and additional travelling distances are not significant <10 miles.
1.4	<p>Cardiff has a thriving and prosperous economy; <i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> economic competitiveness (enterprise activity, social enterprises, average earnings, improve productivity) Assisting those Not in Education, Employment or Training attracting and retaining workers (new employment and training opportunities, increase the value of employment,) promoting local procurement opportunities or enhancing the capacity of local companies to compete 	x				<p>The construction works for the new HWRC will create an opportunity for local construction companies and long term maintenance through the Council's Facility Management Frameworks.</p> <p>The HWRC operations will provide ongoing staff retention opportunities.</p> <p>The Re Use facility will be provided by a Third Party service provider creating jobs and producing products at affordable rates to Cardiff residents.</p>
1.5	<p>People in Cardiff achieve their full potential; <i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> promoting and improving access to life-long learning in Cardiff raising levels of skills and qualifications giving children the best start improving the understanding of sustainability addressing child poverty (financial poverty, access poverty, participation poverty) the United Nations Convention on the Rights of a Child and Principles for Older persons 	x				<p>There will be opportunities for ongoing training for HWRC site staff and Re Use staff.</p> <p>Site users will have the opportunity to understand how and why waste items are reused, recycled and where needed safely treated and disposed of.</p> <p>The HWRC sites and Re Use can be used for education and learning experiences through planned site visits.</p>

Page 554

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
Page 555	1.6 Cardiff is a Great Place to Live, Work and Play <i>Consider the potential impact on</i> <ul style="list-style-type: none"> promoting the cultural diversity of Cardiff encouraging participation and access for all to physical activity, leisure & culture play opportunities for Children and Young People protecting and enhancing the landscape and historic heritage of Cardiff promoting the City's international links 				X	
	1.7 Cardiff is a fair, just and inclusive society. <i>Consider the potential impact on</i> <ul style="list-style-type: none"> the elimination of discrimination, harassment or victimisation for equality groups 		x			The reduction from 3 sites to 2 will have a negative impact on travel distance on some residents however these are not excessive in distance terms and plans for the site closures will clearly identify the alternate site locations and travel routes.
	<ul style="list-style-type: none"> has the community or stakeholders been engaged in developing the strategy/policy/activity? how will citizen participation be encouraged (encouraging actions that consider different forms of consultation, through more in depth engagement to full participation in service development and delivery)? 				x	A two week questionnaire assessment has been carried out at the current 3 sites and information from the 8,500 respondents is being compiled.
	<i>Will this Policy/Strategy/Project have a differential impact on any of the following:</i>					<i>Please give details/consequences of the differential impact (positive and negative), and what action(s) can you take to address any negative implications?</i>
	<ul style="list-style-type: none"> Age (including children and young people aged 0-25 and older people over 65 in line with the United Nations Conventions) 					Access remains unchanged
	<ul style="list-style-type: none"> Disability 			x		Access remains unchanged
	<ul style="list-style-type: none"> Gender Reassignment 			x		Access remains unchanged
	<ul style="list-style-type: none"> Marriage & Civil Partnership 			x		Access remains unchanged
	<ul style="list-style-type: none"> Pregnancy & Maternity 			x		Access remains unchanged
	<ul style="list-style-type: none"> Race Religion/Belief 			x		Access remains unchanged

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
Page 556	• Sex			X		Access remains unchanged
	• Sexual Orientation			X		Access remains unchanged
	• Welsh Language			X		Access remains unchanged
			Yes	No		
	Is a Full Equality Impact Assessment Required?			X		
	Is a Full Child Rights Impact Assessment Required			X		
1.8	<p>The Council delivers positive outcomes for the city and its citizens through strong partnerships</p> <p><i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> <i>strengthening partnerships with business and voluntary sectors</i> <i>the collaboration agenda and the potential for shared services, cross-boundary working and efficiency savings</i> 					<p>The HWRC's have waste contracts with external companies, most of which are within Cardiff or surrounding South East and South West Wales area.</p> <p>The Re Use facility will be operated by a Third Party service provider that could be through the voluntary sectors</p> <p>Discussions with the neighbouring local authorities has been unfruitful with regard to sharing access to facilities and operational costs.</p>

SUMMARY OF APPRAISAL (highlight positive and negative effects of the policy / plan / project being assessed, demonstrating how it contributes to the economic, social and environmental sustainability of the city):

The reduction from 4 to 3 has already taken place in April 2014 with the closure of the Waungron Road recycling centre, it is planned that the new larger HWRC at Lamby Way will be completed April 2016. The reduction in the number of sites will be offset by providing better facilities at the remaining two larger sites for all the same site users and the waste tonnage they deliver.

The operational opening hours of the HWRC's will remain as current during the Summer when demand is at its peak. The reduction in hours during the Winter mirrors, what other Welsh local authority's already do.

The

WHAT ACTIONS HAVE BEEN IDENTIFIED OR CHANGES BEEN MADE TO THE POLICY / PLAN / PROJECT AS A RESULT OF THIS APPRAISAL:

Page 557

Part 2: Strategic Environmental Assessment Screening

		Yes	No
2.1	Does the plan or programme set the framework for future development consent?		
2.2	Is the plan or programme likely to have significant, positive or negative, environmental effects?		

Is a Full Strategic Environmental Assessment Screening Needed?	Yes	No
<ul style="list-style-type: none"> ▪ If yes has been ticked to both questions 2.1 and 2.2 then the answer is yes ▪ If a full SEA Screening is required then please contact the Sustainable Development Unit to arrange (details below) 		

If you have any doubt on your answers to the above questions regarding SEA then please consult with the Sustainable Development Unit on 2087 3228 sustainabledevelopment@cardiff.gov.uk

Part 3: Habitat Regulation Assessment (HRA)

		Yes	No	Unsure
3.1	Will the plan, project or programme results in an activity which is known to affect a European site, such as the Severn Estuary or the Cardiff Beech Woods?			
3.2	Will the plan, project or programme which steers development towards an area that includes a European site, such as the Severn Estuary or the Cardiff Beech Woods or may indirectly affect a European site?			
3.3	Is a full HRA needed?			

Details of the strategy will be sent to the County Ecologist on completion of the process to determine if a Habitat Regulation Assessment is needed. For further information please phone 2087 3215 or email biodiversity@cardiff.gov.uk

Appendix 1 – Statutory Requirements

It is possible that the Impact Screening Tool will identify the need to undertake specific statutory assessments:

- **Equality Impact Assessment:** *This assessment is required by the Equality Act 2010 and Welsh Government’s Equality Regulations 2011.*
- **Sustainable Development Bill:** *The Bill, when it comes into effect, will require sustainable development (SD) to be a central organising principle for the organisation. This means that there is a duty to consider SD in the strategic decision making processes.*
- **Shared Purpose Shared Delivery-** *The Welsh Government requires local authorities to produce a single integrated plan to meet statutory requirements under a range of legislation. Cardiff Council must therefore demonstrate its contribution towards Cardiff’s own integrated plan; “What Matters”.*
- **United Nations Convention on the Rights of the Child:** *The Children Act 2004 guidance for Wales requires local authorities and their partners to have regard to the United Nations Convention on the Rights of a Child.*
- **United Nations Principles for Older Persons:** *The principles require a consideration of independence, participation, care, self-fulfillment and dignity.*
- **The Welsh Language Measure 2011:** *The measure sets out official status for the Welsh language, a Welsh language Commissioner, and the freedom to speak Welsh.*
- **Health Impact Assessment:** *(HIA) considers policies, programmes or projects for their potential effects on the health of a population*
- **Strategic Environmental Impact Assessment:** *A Strategic Environmental Assessment (SEA) is an European Directive for plans, programmes and policies with land use implications and significant environmental effects.*
- **Habitats Regulations Assessment:** *The Conservation (Natural Habitats, &c.) (Amendment) Regulations 2007 provides a requirement to undertake Habitats Regulations Assessment (HRA) of land use plans.*

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

**HOUSING PARTNERSHIP PROGRAMME – UPDATE ON
PROCUREMENT.**

**REPORT OF DIRECTOR OF COMMUNITIES, HOUSING &
CUSTOMER SERVICES**

AGENDA ITEM:10

**PORTFOLIO: HEALTH, HOUSING & WELLBEING (COUNCILLOR SUSAN
ELSMORE)**

Reason for this Report

1. To update Cabinet on progress to appoint a Partner Developer to deliver the Housing Partnership Programme, to set out the final list of development sites for inclusion within the programme and to set out the requirements under the Local Government Act 1972 and the Planning Act for the appropriation of HPP sites for planning purposes, the requirement to dispose of land for best consideration and the need to advertise a proposed appropriation or disposal of public open space.

Background

2. The Housing Partnership Programme is a key project for the Council tackling housing need by providing new housing developments across the city. It is anticipated that up to 1500 new properties will be built through the programme of which 40% (around 600) will be new council homes.
3. The programme will achieve high standards of sustainability and energy efficiency ensuring that all properties built (including open market) meet high energy performance standards which will tackle fuel poverty by making the properties affordable to heat no matter what tenure. Further more, regard is taken to 'Life-time home' standards and the 'Code for sustainable homes' which will mean we future proof new build council properties to remove (where-ever possible) the need for future adaptations.
4. Wider sustainability will be embedded within the programme as we require the developments to have a positive impact on their surrounding environments. This could include improvements to the surrounding streets/housing stock and improvements to public open space.

5. Subject to financial viability, we will trial a PassivHaus development within phase 1 to understand more about the positive impact of this type of development along with achieving a better understanding into the management and maintenance of these type of buildings.
6. The Cabinet Report dated 11 October 2012 gave delegated powers to the Director for Communities, Housing and Customer Contact in consultation with the Cabinet Member for Communities, Housing and Social Justice, the Chief Corporate Services & Section 151 Officer, the Corporate Chief Officer and the Chief Legal & Democratic Services Officer to determine tender criteria, carry out all stages of the procurement process and appoint a development partner for the Programme.
7. In December 2012 Estates & Property consultants GVA Grimley were appointed to assist in the development of an Outline Business Case for the project and the deliver a procurement process to appoint a partner to deliver the entire programme of development (both new build council housing & houses for open market sale).
8. The outline business case was approved by the Housing Partnership's Governance Board in November 2013. It set out that the gross development value of the project was circa £150,000,000 (development value of open market sale housing & council housing) and the preferred procurement route should be Competitive Dialogue.
9. The outline business case also set out that, although the anticipated gross development costs of the new council housing was circa £52 million, there is sufficient land value across the portfolio of sites to reduce the net cost to the council to within the previously approved HRA investment of £33 million (this represents the maximum exposure to borrowing against the HRA under this contract). The final development costs will be known following the completion of the procurement process.
10. The HPP has 4 key priorities:
 - Maximise the delivery of affordable housing
 - Build sustainable homes and communities
 - Provide robust community benefits & community engagement activities
 - Maximise the Council's resources (land & Capital)
11. To ensure these key objectives are met the project team have developed a 'Cardiff Design Standard' and a 'Project Descriptive Document'. These set out the required standards in detail covering all aspects of design, energy performance, lay-outs, planning & housing policy as well as expectations relating to local training & employment placements and community engagement. Colleagues in Planning have inputted into these documents in setting the standards required to ensure we achieve "Liveable City" design standards. These documents form background papers to this report.

12. Full consultation has taken place with Welsh Government who are very supportive of our programme of development, scheme principles and standards to be achieved.
13. There are a number of minimum requirements which the Partner Developer must meet:
 - There must be 40% affordable (council) housing delivered within each phase.
 - Phase 1 must be delivered between 2015–2020.
 - Braunton Crescent and Clevedon Rd sites are to be developed first
 - There needs to be a level of affordable housing on every site which as a minimum adheres to City of Cardiff Council planning policy of 30% affordable on Greenfield sites and 20% on Brownfield sites
 - A 17% uplift in relation to energy performance against Part L of the Building Regulations 2014 (fabric first) for every property built, including properties for open market sale.
 - Compliance with Code for Sustainable Homes level 3 as detailed in the Cardiff Design Standard.
14. 43 parcels of land have been identified for inclusion in the HPP the details of which are in Appendix 1. Sites vary in size and in development potential and impact differently on the overall financial viability of the project. The intention is that the sites that are considered difficult to develop and carry a negative land value are cross-subsidised by the more desirable sites throughout the development programme.
15. In order to ensure there are adequate project review periods in place, the portfolio of sites have been separated into 3 phases each capable of delivering around 500 housing units. The developer will only be invited to 'roll-onto' phases 2 & 3 if agreed outcomes are met including meeting the Cardiff Design standards, delivering an agreed number of training placements and local labour placements and other agreed key outcomes:

Phase 1: 2015 – 2019

Phase 2: 2019 - 2022

Phase 3: 2023 - 2025

Update on Procurement

16. The Competitive procurement process consists of 4 stages; Pre Qualification Questionnaire, Outline Solutions, Detailed Solutions and Call for Final Tender. The process allows for dialogue sessions with bidders at each stage so that submissions and requirements can be refined as necessary.
17. **Pre-Qualification Questionnaire:** The documents were issued in March 2014 with a final date for submission of 9 May 2014. 7 Submissions were received with one bidder failing to meet the minimum requirements and therefore being removed from the process at that stage. The Governance

Board met on 30 May 2014 and approved the recommendation that the 6 remaining bidders be invited to submit an outline solution in accordance with delegated authority.

18. **Outline solutions:** The remaining Bidders were invited to participate in Outline Solutions (the deadline to submit Outline Solutions was noon on 24 November 2014).
19. In line with the approved Competitive Dialogue process each bidder was allocated 2 dialogue sessions. All bidders attended their first allocated dialogue session, However, two bidders withdrew from the process before their 2nd Dialogue sessions. The reasons cited by each Bidder for withdrawing from the process did not give concern over project viability.
20. Following the completion of the second dialogue session one Bidder withdrew from the process and another failed to submit a bid by the deadline. However, the remaining 2 bidders submitted their Outline Solutions by the deadline:
21. Both submissions were evaluated and proved to meet the minimum requirements, therefore both Bidders (who are both major house builders) were invited to submit a Detailed Solution pursuant to delegated authority.
22. **Detailed Solutions:** Both bidders have submitted a detailed solution by the deadline of 1 June 2015. The bids are currently being evaluated before a recommendation is put to the Governance Board regarding a call for Final Tender pursuant to delegated authority. (The Governance Board is due to take place late July 2015).
23. The HPP project team are required to undertake a detailed viability review of both bids at this stage. The viability considers the costs submitted by the Bidders in the line with the outline business case, reviewing construction costs, projected land values, development programmes, profit margins overheads, site infrastructure costs and projected planning gain requirements.
24. The financial viability review will also consider the net cost to the council for the delivery of the affordable housing units to ensure we are receiving value for money, that development costs are within Welsh Government Acceptable Cost Guidelines, that land values from attractive sites are sufficient to cross-subsidise difficult sites with negative values and that the scheme can be delivered within the parameters as set out in the Outline Business Case.
25. The project is currently on programme to invite Bidders to submit a Final Tender to complete the Competitive Dialogue process and be in a position to recommend a Partner developer appointment by **September 2015**.

Issues

26. Delegation was given in the October 2012 Cabinet report to the Director of Housing & Communities to add or omit sites into the HPP programme. As such the final development schedule has now been agreed and finalised for the procurement process. This final schedule is set out in appendix 1, identifying the 3 phases of development as required.
27. Throughout the procurement process the HPP Project Team has worked to undertake all necessary enabling of the phase 1 sites including the appropriation of General Fund land, demolition of empty buildings, topographical surveys, ecological surveys, ground investigation work, obtaining land titles and identifying any Rights of Way, easements or public open space issues.
28. In order for these sites to be developed for housing purposes notwithstanding interference with any easement or other right attached to the land approval is sought for Housing Partnership sites to be appropriated (pursuant to Section 122 of the Local Government Act 1972) for "Planning Purposes" under Section 227 of the Town & Country Planning Act 1990 with the relevant land not being needed for its current purpose during development. Delegation is sought for the Director of Communities, Housing & Customer Services to appropriate sites.
29. Before appropriating any site which includes public open space the Council is required to publish notice of its intention to do so on two consecutive weeks in a newspaper circulating in the area and to consider any objections which may be made to the appropriation. Delegation is sought for the Director of Communities, Housing & Customer Services to publish notices and deal with any responses.
30. By virtue of Section 223 of the Planning Act the Council is empowered to dispose of land held for planning purposes for development of open market housing. This aspect of the Housing Partnership Programme is imperative in order that land receipts received for the parcels of land used for open market housing are realised to reduce the net cost of the council housing. Approval is sought from the Cabinet for the disposal of land through the Programme for this purpose with 'Best Consideration' being based on the on-going procurement exercise and valuations which will be achieved pursuant to appraisals on the draw down of sites. Delegation is sought to the Director for Communities, Housing & Customer Services to approve each disposal as necessary.
31. Save for the site development function of appropriating to planning purposes, the sites are held pursuant to section 32 of the Housing Act 1985 and section 133 of the Housing Act 1988 which require the consent of Welsh Ministers to the disposal of land held under part 2 of the Housing Act 1985. Authority is given for the Director of Communities Housing & Customer Services to apply for that consent and to accept its terms.

32. Before disposing of land pursuant to section 233 which includes public open space the council is required to publish notice of its intention to do so on two consecutive weeks in a newspaper circulating in the area and to consider any objections which may be made to the disposal. Delegation is sought for the Director of Communities, Housing & Customer Services to publish notices and deal with any responses.
33. Delegated authority is sought for the Director of Communities, Housing & Customer Services to appropriate land and buildings back into the Housing Revenue Account following completion of the building of council housing facilitated by appropriation to “planning purposes” pursuant to section 232 of the Planning Act.

Local Member consultation

34. Regular consultation has taken place with Ward Councillors regarding the sites included in the programme of development. Updates have also been issued with regards to progress with procurement.

Reason for Recommendations

35. A decision is required to appropriate HPP sites for “planning purposes” to facilitate the development of housing.
36. Approval is also required in order that development land, as necessary, is sold for open market housing development as part of the Housing Partnership Programme.

Financial Implications

37. Subject to the completion of the current procurement exercise as well as an overall viability review, the HPP project will involve the Council purchasing affordable housing and working with its preferred partner to develop Open Market housing for sale. Funding has been made available in the Housing Capital Programme, consistent with the HRA Business Plan approved for 2015/16 onwards.
38. This report confirms the sites to be included in the project, some of which are to be transferred to the Housing Revenue Account from the Council’s General Fund upon vacation of the sites. Sites to be included in the project have previously been agreed as well as changes subsequent to this. Removing or adding sites would not be feasible without significantly impacting on any development agreement and the terms of the procurement.

Legal Implications

39. The reasons for considering appropriation to planning purposes, the advertisement requirements relating to public open space, the obtaining of best consideration and the need for Welsh Ministers’ consent are set out in the body of this report.

RECOMMENDATIONS

The Cabinet is recommended to:

1. note the current position with regards to procurement of a partner Developer for the Housing Partnership Programme.
2. approve the appropriation of Housing Partnership Programme development sites to “planning purposes” (under Section 227 of the Town & Country Planning Act 1990) due to land not being required for its present purpose during the development period and following completed construction works to appropriate the Council housing back into the Housing Revenue Account.
3. If recommendation 2 is approved, authorise publication of the proposed appropriations to “planning purposes” and the proposed disposals at best consideration, relating to any open space affected by the proposals, in a local newspaper on two consecutive weeks.
4. Delegate authority to the Director of Communities, Housing & Customer Services in consultation with the Cabinet Member for Health, Housing & Wellbeing to carry out the detailed processes relating to appropriation and disposals of land which are described in the body of the report.

SARAH MCGILL

Director

10 July 2015

The following appendix is attached:

Appendix 1 - Schedule of development sites

The following background papers have been taken into account

Cardiff Design Standards

Project Descriptive Document

ADDRESS	WARD	Site description	Current site status	Reason for addition or omission
PHASE 1				
Ty Newydd (343 Heol Trelai) & Heol Trewydd garage site	Caerau	Demolished Nursing home & garage site	New site: former nursing home and garage site on 2012 Cabinet approved list	n/a
Snowden Rd & Wilson Road	Ely	Demolished housing office and shops	On 2012 Cabinet approved list	n/a
Briardene	Gabalfa	Former road safety centre (demolition to take place Spring 2015)	Appropriated to HPP in Mar 2013	
Highfields	Heath	Demolished Day centre	On 2012 Cabinet approved list	n/a
Walker House 158, Fidlus Road	Llanishen	Demolished childrens centre	On 2012 Cabinet approved list	n/a
Braunton Crescent 29 - 127	Llanrumney	Demolished Flats & Maisonettes - 55 of	On 2012 Cabinet approved list	n/a
Clevedon Road 12-16, 12-16A-C, 18-22, 18-22A-C, 24-28, 24-28A-C, 30-34, 30-34A-C, 36-40, 36-40A-C, 42-46, 42-46A-C	Llanrumney	Flats & Maisonettes - 66 of (Demolition Winter 2015/16)	On 2012 Cabinet approved list	n/a
Honiton Rd	Llanrumney	Demolished garage site	On 2012 Cabinet approved list	n/a
Llanrumney Depot, Mount Pleasant Lane	Llanrumney	Demolished CMS depot	On 2012 Cabinet approved list	n/a
Llanrumney Housing Office, Countisbury Ave	Llanrumney	Demolished housing office	On 2012 Cabinet approved list	n/a
Ty to Maen 11 - 22	Old St Mellons	Demolished Flats - 12 of	On 2012 Cabinet approved list	n/a
11 - 57 Llandudno Rd & 1-12 Pwllhelli Court	Rumney	Flats & maisonettes - 36 of (Demolition Winter 2015/16)	On 2012 Cabinet approved list	n/a
Willowbrook West (Off Willowbrook Dr - west of Ffordd Daniel Lewis)	Trowbridge / St Mellons	Open land	On 2012 Cabinet approved list	n/a
PHASE 2				
Caldicot Road	Caerau	Demolished enterprise centre	On 2012 Cabinet approved list	n/a
Cherrydale Road	Ely	Open space (ASB concern)	Approved through Delegated Powers	Local residents ASB concerns
Ely Housing Office & library, 4-8 Grand Ave	Ely	HO & library (Demolition Spring 2015)	Cabinet approval Sept 2013: new Ely/Caerau HUB & HPP development site	
Highmead Road	Ely	Void garage site	On 2012 Cabinet approved list	n/a
Rutland St	Grangetown	Car park	On 2012 Cabinet approved list	n/a
Fishguard Road (land adj to shops)	Llanishen	Grassed verges & garages adjacent to shops	On 2012 Cabinet approved list	n/a
Templeton Avenue	Llanishen	Demolished garage site	On 2012 Cabinet approved list	n/a
Occupational Therapy 65 Ty Glas Ave	Llanishen	Demolished housing office / OT centre	On 2012 Cabinet approved list	n/a
Llanrumney High School	Llanrumney	included under 21st century schools programme.	Awaiting further Planning and flood advice to establish developable area. Only the developable area will be incorporated for HPP	
Howardian Centre, Penylan (6.8acres - 1/2 of site)	Penylan	included under 21st century schools programme.	some mixed use of existing buildings	included under 21st century schools programme- site surplus
Ty Mawr, Southminster Road	Penylan	Demolished care home	On 2012 Cabinet approved list	n/a
Croft Street	Roath	Science Laboratory	Approved by Delegated Authority	
Cae Glas, Beaumaris Road	Rumney	Demolished residential home	On 2012 Cabinet approved list	n/a
Trowbridge Children's centre, Greenock Road	Rumney	Demolished Childrens Services centre	On 2012 Cabinet approved list	n/a
1 - 40 Greenock Road	Rumney	Flats and bungalows	On 2012 Cabinet approved list	n/a
Star Centre	Splott	included due to HUBS programme	Cabinet Report Sept 2014 states vacated circa Summer 2016, once Splott HUB completed, then appropriated to HPP	
Menai Way	Trowbridge / St Mellons	Demolished garage site	On 2012 Cabinet approved list	n/a
Trowbridge Green (adj to 178)	Trowbridge / St Mellons	Open space	On 2012 Cabinet approved list	n/a
Brookfield Drive & Tarwick Drive	Trowbridge / St Mellons	Former playground, open space & demolished flats	On 2012 Cabinet approved list	n/a
PHASE 3				
Penally Road Site 1	Caerau	Open space	On 2012 Cabinet approved list	n/a
Frank Rd 22 - 36	Ely	Demolished flats - 9 of	On 2012 Cabinet approved list	n/a
Gorse Place 38	Fairwater	Demolished childrens home	On 2012 Cabinet approved list	n/a
Mynachdy Centre	Llandaff North	Education site	some use of existing buildings	included under 21st century schools programme- site surplus
Heol Danyodyn	Pentyrch	Current garage site	On 2012 Cabinet approved list	n/a
Letterston Rd / Caer Castell PI	Rumney	Open space	On 2012 Cabinet approved list	n/a
Rumney High School	Rumney	High School	Education	included under 21st century schools programme- site surplus
Crumlin Drive Site 1	Trowbridge / St Mellons	Demolished flats (9 of) & open space	On 2012 Cabinet approved list	n/a
Crumlin Drive Site 2	Trowbridge / St Mellons	Open space	On 2012 Cabinet approved list	n/a
Area 11 Trowbridge	Trowbridge	Local Plan development land	Approved by Delegated Authority	
SITES REMOVED FROM THE HPP				
Land North of County Hall	Butetown	Development land	On 2012 Cabinet approved list	Alternative use approved
34 - 44 Snowden Road	Ely	Demolished houses	On 2012 Cabinet approved list	Councillor opposition
Wern Gethin Farm	St Mellons	Council housing farm	On 2012 Cabinet approved list	Retain as existing dwelling
Hillview	Fairwater	Former garage site	On 2012 Cabinet approved list	Councillor opposition
Llangranog Rd shops & garage site	Llanishen	Shopping parade & garages	On 2012 Cabinet approved list	Shop leases not purchased
Wedal Road	Cathays	Recycling depot	On 2012 Cabinet approved list	being disposed of through Strategic estates
Storrar Road	Tremorfa	Waste land	On 2012 Cabinet approved list	Unviable due to shared access and ownership and utility services

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**CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD**



CABINET MEETING: 16 JULY 2015

UPDATE ON THE COUNCIL'S ENERGY PROGRAMME

REPORT OF DIRECTOR OF CITY OPERATIONS

AGENDA ITEM: 11

**PORTFOLIO: TRANSPORT, PLANNING AND SUSTAINABILITY
(COUNCILLOR RAMESH PATEL)**

Reason for this Report

1. To provide an update on the implementation of the Council's energy strategy and prioritise the next phase of delivery in view of the deterioration in the Council's financial position.

Background

2. Ensuring access to affordable, sustainable and secure energy is crucial if the City of Cardiff Council is to effectively deliver services from the lowest possible operating costs. From the city perspective, Cardiff is projected to be the fastest growing city in the UK. Meeting the growing demand for energy in a safe and environmentally responsible manner is therefore crucial if Cardiff is to achieve its vision of becoming Europe's most liveable city.
3. The Cabinet has previously considered, at its meeting in July 2014, a report entitled 'Energy for a Liveable City', which captured a pipeline of projects and initiatives to deliver against the Council's aspirations in this area. A number of these projects have now been progressed and feature in the Council's energy portfolio.

Update on Progress

4. The Council's energy programme has focused on four key areas of delivery: awareness and behaviours; efficiency and retrofit; local generation; and innovations in energy technologies. A detailed update on progress can be found in Appendix A, and a summary of progress is provided below:
 - **Awareness and behaviours:**
 - Better energy management, such as switching off energy during School holidays, has led to revenue savings of £100k.

- **Efficiency and retrofit:**
 - Energy efficiency retrofit has been delivered in almost 1,000 homes;
 - Energy saving measures have been installed across the Council's estate.
 - **Local generation**
 - Electricity generating technologies have been installed, which generate 6MW worth of electricity; which is enough to power the equivalent of 3,000 homes. These include solar schemes at Lamby Way depot roofs and landfill site, solar on schools, and hydro power at Radyr weir.
 - The development of the Viridor energy for waste plant has been successfully facilitated, which converts residual waste into 30MW of renewable energy. Work is ongoing to progress a city centre district heating scheme.
 - **Innovations in energy technologies**
 - £8m in external funding for projects has been secured, providing enough revenue income to fund 2.5 FTE salaries in the Council's Energy and Sustainability team.
 - £2.2m has been secured to deliver six energy related research and innovation projects which showcase the City's approach to sustainability, technology and product innovation.
 - Cardiff has become the first and, thus far, only local authority in the UK to run schemes under the UK Government's Small Business Research Initiative. This has involved managing innovation competitions that focused on "Heritage Retrofit" solutions and "portable renewables" technology.
 - Early discussions with the British Geological Survey have been initiated to exploit the City's geothermal sources of heat
 - Funding for "Smart City" bids have been explored. This funding would enable Cardiff to use data and technology to manage key infrastructures like transport, waste, water, energy and digital in a more effective and sustainable way.
5. The Council's ground breaking approach to energy, and in particular the development of the Energy Prospectus, has been recognised by Welsh Government. The Welsh Government is therefore pursuing options to extend the Cardiff approach across the rest of Wales. To this end Local Partnerships, a jointly owned not for profit venture between the Local Government Association and HM Treasury, have been commissioned to identify energy pipeline projects for all Local Authorities in Wales. This work has identified 143 potential projects, most of which are currently at the concept stage and need support in getting to the point of installation. If all the projects were successfully delivered, it is estimated that they would deliver 14% of the energy needs of the public sector estate.
6. Welsh Government is also considering an investment vehicle which could offer £500m borrowing capacity, or potentially equity, into energy projects. This initiative approach was launched in concept last year as "Green Growth Wales" combining direct borrowing from Welsh

Government alongside Green Investment Bank loans. This organisation has also expressed a strong interest in developing strategically important projects in partnership with the City of Cardiff Council.

Issues

7. The marked deterioration of the Council's budgetary position presents a real challenge to the financial resilience of the organisation. The scope and scale of the challenge is such that every directorate now needs to plan for a radical adjustment of delivery models to reflect an era of severe budgetary constraint. For the Council's Energy Prospectus, it will require a sharp prioritisation of identified projects. As a first step, an examination of the UK and European policy position points towards clear areas of focus:
 - **Development:** Development work should focus on adopting a zero carbon approach to new development and extensive retrofitting of existing premises. Developing and expanding energy networks to compliment Energy from Waste facilities are also acknowledged as key drivers of the agenda.
 - **Transport:** Growing cities that offer a high quality of job opportunity and a high quality of life place 'Green Transport' at the centre of their city strategies. This includes, for example, promoting renewable fuel technologies for buses and cars, and Cardiff has demonstration sites with partners to investigate Hydrogen Fuel technology.
 - **Renewable Energy Generation:** Localising and diversifying energy production are a characteristic of many successful cities, which means deploying major solar and hydro-generation schemes on city, coastal and council sites.
8. In view of the leading policy drivers, it is proposed that an urgent review of the projects in Cardiff's energy prospectus is undertaken with the aim of identifying fewer but more impactful projects. Whilst acknowledging the need to establish strategic projects it should be recognised that a significant body of work has been committed to and identified in the following sections.

Carbon Reduction Strategy

9. The Strategy sets out actions for reducing carbon emissions and achieving cost savings through 4 key strands. These include:
 - a. **Good Housekeeping-** improving building management
 - b. **Design and Asset Management-** improving or rationalising the council's built estate
 - c. **Invest-to-Save Projects-** retrofitting energy efficiency projects
 - d. **Renewable Energy Generation Projects-** generating on site renewable energy to reduce reliance on imported energy from the grid.

10. The strategy is informed by extensive data analysis and is critical to supporting future investments within the prospectus as well as any strategic decision moving forwards.

Establish District Heating / Energy Networks

11. Maximising the renewable energy potential of the Energy from Waste Plant at Trident Park has been a long standing priority for the Council and for Viridor. To this end the Council has secured funding from the Department of Energy and Climate Change (DECC) to explore the potential of delivering a district heat network to supply business and properties in the vicinity of the plant with the heat that is the by-product of its combustion process. The grant has helped identify possible investment opportunities and explore likely governance issues in the delivery of such a scheme. The funding will extend into 2015/16 and has, to date, allowed the Council to consider issues such as:
 - funding a new company to deliver and run the network;
 - becoming a customer for the heat, along with other major public sector organisations in Cardiff; and
 - addressing fuel poverty via links between the heat network and housing retrofit funding.
12. The opportunity also exists to develop Energy Networks in collaboration with major city partners, such as the Universities, and on any major new LDP housing allocation sites. A key part of this work involves scoping the range of opportunities that exist within various locations across the city. An assessment of energy network opportunities will allow options to be prioritised following a consideration of key factors such as cost, deliverability, energy benefits etc. in order to produce a preferred option or set of delivery mechanisms.
13. A business plan will then be developed based on the preferred option. This will propose appropriate governance arrangements and confirm what stake the Council could take in respect of any Municipal Heat Network management and ownership arrangement. It is in the long term interest of the City's resilience to retain a level of control of any such infrastructure development, heat supply and network construction and operators. With the Local Development Plan and district heating being a feature of new build estates, that often have greater output than demand, it is essential that strategic control remains with the Council. This can be facilitated through planning development processes and by assisting with overcoming retrofit challenges within existing infrastructure. Ultimately, a key goal is to deliver attractive Energy Tariffs for the City, its residents and business.
14. As an immediate step it is recommended that DECC funding be used to support the commencement of a dialogue with significant heat source companies on governance options for delivering and operating a district heating network, in order to identify the best vehicle to deliver the

network and achieve the Council's energy sustainability and infrastructure investment goals.

15. DECC regard this work as important in informing the next steps of their Heat Network Delivery Unit network. The findings will be the subject of a more detailed future report to Cabinet and will allow the Council to agree a strategy to develop a resourced delivery plan including engagement with the private sector.

Review the Opportunity for a Tidal Lagoon

16. The potential of tidal lagoon project off the coast of Cardiff has been mooted in the public domain. Although the opportunity remains at an initial stage of development, the Council has been approached by a private sector company with an interest in developing the concept into a major project. In response, the Council needs to consider fully the opportunities, impacts and risks involved in such a major undertaking. Part of this work will need to involve a shared understanding of the issues arising from tidal power generation along the Severn Estuary in the context of work being undertaken by Great Western Cities. This will need to inform the Council's own assessment of a development that would cost up to £7 billion and generate circa 600 MW of energy per annum. The implications of such a scheme for Cardiff need to be clearly understood.

Other Key Projects:

17. There are a range of other key energy efficiency and renewable technology projects that are supporting the Carbon Reduction Strategy. These include:
 - Additional Hydro-electric generation schemes on the City's rivers
 - Large scale roll-out of solar schemes on the Council's estate and, especially schools (a potential £12m investment)
 - Greener Grangetown Partnership with Dwr Cymru Welsh Water and the Natural Resources Wales, delivering retrofit sustainable drainage bio diversity and carbon reduction
 - Extending the conversion of Street lighting to LED technology
 - Maximising the sustainability credentials of new communities arising from the LDP by working proactively with developers and other infrastructure providers to build renewables more positively into emerging designs.
 - Further engagement with innovation funding sources including the European Union's "Horizon 2020" programme and other DECC and Innovate UK opportunities to support the roll-out of emerging technologies.

Funding

18. Going forward, a paper on capital investment criteria for "Invest to Save" schemes is currently being prepared, which will look at issues such as overall business case requirements, approval processes as part of the

budgetary framework, interest rates, repayment mechanisms, acceptable returns on investment and crucially from an energy perspective, whether there should be a maximum cap to capital exposure in certain categories of investment. This will enable the Council to determine the appropriate levels of investment it wishes to commit to the development and delivery of specific energy projects in the context of the wider social agendas.

19. In broad terms the Council's options are to :
 - Continue to invest from its own capital programme and take the rewards back into the revenue account as projects provide a return on investment,
 - Take a lower risk option of leasing assets (as in the various "rent-a-roof" solar schemes that are on offer) or leasing equipment e.g. heat exchangers or PV (similar to leases for photocopiers), though generating lower return
 - Engage more actively with community energy company models to share the responsibilities and opportunities, but this would also mean sharing the profits.
 - As the Council owned energy production estate grows, trade in energy and set up the Council's own appropriate Company vehicle.
20. In reality, a multi-dimensional approach, encompassing all of the above options may be appropriate as individual schemes often present different risks, rewards, and complexities. There are also a range of background issues which are also becoming clearer as the Council progresses work in this area. For example, there are electricity purchasing arrangements available, known as direct power purchase agreements or "sleeving", which would allow the Council as the body which owns the generating capacity to buy back that electricity at rates which are better value than traditional purchase from the grid. For instance, where the Council has energy generating projects geographically far removed from Council buildings, like Radyr Weir, this arrangement could be beneficial. Radyr Weir, for example, sells electricity to the grid at 5p per kwh, whilst County Hall purchases electricity back from the at 11p. Under a direct power purchase agreement the Council could enter into an agreement with a licensed supplier to buy back the power produced at a discounted rate of, say, 8p. The Council is currently examining these opportunities which may have positive additional benefits for the "invest to save" business cases.
21. There would need to be clear synergy between energy investment decisions and the Council's asset retention plans and other devolved financial arrangements. In particular, complexities around energy investment on the schools estate need to be understood to ensure mutual benefit to both delegated schools budgets and the Council's bottom line return on its capital investments.

22. This report highlights the diverse range of opportunities that the energy sector holds for the Council. The Council's growing intelligence in the field has, however, highlighted the complexity that underlies any investment decisions and in establishing appropriate delivery mechanisms. It is proposed, therefore, that future investment decisions are considered in the context of a delivery framework. Under this framework, self-financed projects would be prioritised where they meet the revised "Invest to Save" criteria and deliver the best income and return for the Council. The Council could seek an appropriate partner delivery mechanism where the business case is less clear.
23. Local Partnerships (LP) is currently bidding to Welsh Government to provide a support package to each Local Authority in Wales which will offer a free at point of use assistance to accelerate delivery of these projects. This would include support with feasibility studies and business cases, assessment of due diligence, identification of further opportunities for efficiency or generation, assessment of investment models eg community ownership, and identification and/or establishment of procurement frameworks to speed up and de-risk processes.
24. It is therefore proposed that the Council engages proactively with any forthcoming Welsh Government support provided via Local Partnerships. Alongside existing support such as DECC's heat network grant, and the Council's own in-house financial guidelines, a package of support exists to help fully understand the options and issues associated with each potential energy project.

Reason for Recommendations

25. To enable future decisions on energy schemes to be taken with the benefit of informed business cases and delivery options, and to ensure that engagement with potential delivery partners is transparent and mutually beneficial.

Financial Implications

26. The Budget report for 2015/16 highlighted concern about the affordability of the capital programme, and also the increasing ratio of capital financing costs to controllable budgets. Whilst direct Council investment is an option, regard must be had to the sustainability of any Council borrowing to areas such as energy compared to other Council priorities in order to minimise risk of the borrowing itself and any factors that may change in future that could impact on affordability
27. The generic Invest to Save paper referred to above will provide greater clarity to Directorates to assist with their development of their Invest to Save Capital schemes. It will consider the introduction of a "hurdle" test to reflect the opportunity cost to the Council of not being able to invest in other projects with a particular emphasis on the financial return the council could achieve from a risk free investment. Further consideration will be required of the future impact on the Council's revenue budget of the potential increased capital financing expenditure (the "gearing")

effect). Of particular significance in this context is the repayment periods of potential invest to save projects as well as the risk that the projects may not generate the expected benefits putting further strain on the Councils Revenue Budget.

28. This report outlines a strategic framework to bring forward energy projects including a potential support package to be provided by the Welsh Government. As such there are no direct financial implications arising from this report. Detailed business cases, including a financial evaluation, will still be required for individual proposals which will need to be considered and approved by Investment Review Board, Cabinet and Council as appropriate.
29. If the Green Growth Wales investment vehicle is developed then this would represent a further funding option to be added to the existing options listed in paragraph 12 of this report. The funding options available at a point in time would require assessment as part of the preparation of the detailed business case for specific projects. An assessment of the council's appetite to share risk and reward would be included as part of the evaluation of the funding options.

Legal Implications

30. There are no direct legal implications arising from this report. Each project as it comes forward will need to have legal advice and input.
31. This will include input required in connection with securing any relevant external funding (including any tariffs), appropriate terms for construction/supply, power purchase agreements, grid connections and otherwise managing risk
32. Energy projects such as those being considered will play an important part in the consideration of how the Council fulfils its duties under the Well-being of Future Generations (Wales) Act 2015 when those duties are in force
33. There are no equality implications arising from the recommendations

RECOMMENDATIONS

Cabinet is recommended to:

- (1) Note progress to date.
- (2) Agree to a review of the Council's strategic energy projects, guided by the delivery mechanisms set out in this report.
- (3) Agree that Cardiff engages with Welsh Government's Green Growth Fund and the associated Local Partnerships support package to inform and support the emerging strategy and delivery programme.

- (4) Authorise that an options appraisal be undertaken to identify the most appropriate vehicle to deliver and operate a district heat network and deliver the Council's renewable energy goals, and for a report on the findings of this work to be brought back to Cabinet.

ANDREW GREGORY

Director

10 July 2015

The following appendix is attached:

Appendix A: Programme Overview

