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## AGENDA

**Committee** POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

**Date and Time of Meeting** TUESDAY, 7 JULY 2015, 4.30 PM

**Venue** COMMITTEE ROOM 4 - COUNTY HALL

**Membership** Councillor Howells (Chair)  
Councillors Cowan, Goodway, Hunt, Love, Murphy, Thomas and 2 vacancies

### 1 Apologies for Absence

To receive apologies for absence.

### 2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

### 3 Minutes

To approve as a correct record the minutes of the meetings held on 14 May 2015 and 2 June 2015.

### 4 ORGANISATIONAL DEVELOPMENT PROGRAMME

- Councillor Graham Hinchey, Cabinet Member, Corporate Services & Performance, has been invited to attend for this item and may wish to make a statement
- Paul Orders, Chief Executive; Christine Salter, Corporate Director, Resources; Sarah McGill, Director of Communities, Housing and Customer Services; Martin Hamilton, Chief Officer, Change & Improvement will be in attendance for this item.
- Questions by Members of the Committee.

### 5 INFRASTRUCTURE BUSINESS MODEL & ALTERNATIVE DELIVERY OPTIONS - Task & Finish joint report of the Policy Review & Performance Scrutiny Committee and the Environment Scrutiny Committee

- Councillor Paul Mitchell (Chair) and representatives of the Task Group Inquiry, have been invited to attend.
- Questions by Members of the Committee

## **6 ALTERNATIVE DELIVERY MODEL EVALUATION METHODOLOGY**

- Councillor Graham Hinchey, Cabinet Member, Corporate Services & Performance has been invited to attend for this item and may wish to make a statement.
- Christine Salter, Corporate Director Resources, Steve Robinson, Operational Manager, Commissioning & Procurement and John Paxton, Strategy and Development Manager will be in attendance to present the model to Committee.
- Questions by Members of the Committee

## **7 CORRESPONDENCE**

## **8 WAY FORWARD**

a) Organisational Development Programme

b) Alternative Delivery Model Evaluation Methodology

## **9 Date of next meeting**

Tuesday 8 September 2015

**Marie Rosenthal**

**Director Governance & Legal Services**

Date: Thursday 2 July 2015

Contact: Kate Rees029 2087 2434, [kate.rees@cardiff.gov.uk](mailto:kate.rees@cardiff.gov.uk)

**CITY & COUNTY OF CARDIFF**  
**DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE**  
**SCRUTINY COMMITTEE**

7 July 2015

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**INFRASTRUCTURE BUSINESS MODEL & ALTERNATIVE DELIVERY OPTIONS**

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**Background**

1. On 2 September 2014 the Committee was briefed on the 'Infrastructure Business Model' project and the potential range of alternative delivery models that could be used to deliver council services, with a view to agreeing to participate in a joint inquiry led by the Environmental Scrutiny Committee to consider the issues in more depth.
2. It was agreed that a Joint Task and Finish Group involving Members from the Environmental Scrutiny Committee and the Policy Review & Performance Scrutiny Committee would undertake a joint inquiry titled 'Infrastructure Business Model & Alternative Delivery Options'. This report provides the findings of the inquiry.
3. The agreed terms of reference for the inquiry were:

*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.*

*The inquiry has evaluated alternative delivery models, the services they could be used to deliver, and has explored 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.*

4. Members of the Task & Finish group were:

*from the Environmental Scrutiny Committee:*

- Councillor Paul Mitchell (Chair);
- Councillor Rod McKerlich.

*from the Policy Review & Performance Scrutiny Committee:*

- Councillor Nigel Howells;
- Councillor David Walker;
- Councillor Gary Hunt.

5. During the course of the inquiry the Task & Finish Group received evidence from the following witnesses:

***Internal 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, Commissioning & Procurement,
- Kerry Barley – Business Analyst,
- Angie Shiels – Cardiff GMB,
- Ken Daniels – Cardiff Branch Secretary, GMB,
- Lesley Ironfield – Operational Manager, Facilities Management,
- Neville Lord - Cleaning & Support Services Manager,
- Clive Riches – Building Services Manager,
- Emyr Williams – Principal Research Officer,
- Tom Foreman – Principal Scrutiny Research Officer,
- Paul Manley - Central Transport Services, Principal Research Officer,
- Shaun Jamieson – County Solicitor, Principal Research Officer,
- Tracey Thomas - Operational Manager, HR People Partner,
- Phil Dee – Operational Manager, Building Design & Construction.

### ***External Witnesses***

- Robert Collins – Cardiff UCATT
- Graham Bourton, Head of Direct Services, Oxford City Council
- Tim Sadler, Executive Director Community Services, Oxford City Council
- Lyn Barker, Finance Business Partner, Oxford City Council
- Jeff Ridgley, Business Development & Fleet Manager, Oxford City Council
- Steve Davis, Electrician / UNITE, Oxford City Council
- Ian Morrison, Multi Trade Operative / UNISON, Oxford City Council
- Councillor Van Coulter, Oxford City Council
- Mike Cafferky – Business Director, Non PFI Highways, Amey
- James Trotter – Business Development Director Local Government, Amey
- Dave Nicholson – HR Business Partner, Amey

- Eddie Fellows – Network Manager, Birmingham HMMS, Amey
- Mike Hodkinson – Business Development Manager, Amey
- Jason Parfitt – Principal Operations Manager Birmingham PFI, Amey
- Helen Walters – Facilitator, Amey
- Wayne Rowley – Principal Operations Manager Solihull, Amey
- Will Tyas – Account Manager, Birmingham HMMS, Amey
- 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
- Ricky Sinfield – Unison, Wellingborough Norse
- Nicola Holden - General Manager, Wellingborough Norse
- John Casserly – Managing Director, Wellingborough Norse
- Bridget Lawrence – Head of Resources, Borough Council of Wellingborough
- Graham Jermyn - Director, GYB Services at Norse Commercial Services
- Councillor Peter Morrall – Chair of the Wellingborough Norse Liaison Board
- Councillor Brian Emerson - Wellingborough Norse Liaison Board
- John Campbell – Chief Executive, Borough Council of Wellingborough
- Liz Elliott - Head of Finance and Section 151 Officer, Borough Council of Wellingborough
- Fourteen from line staff from Wellingborough Norse
- Arthur Hooper, Managing Director, Cormac Solutions Ltd.
- Robin Fisher, Director, Cormac Solutions Ltd.

## **Way Forward**

6. The final draft report of the Task & Finish Group is attached at **Appendix 1**. Members' attention is particularly drawn to the Recommendations. These are based on the evidence heard throughout the Task & Finish Group Inquiry.
7. A draft version of the Infrastructure Business Model & Alternative Delivery Options report was endorsed by the Environmental Scrutiny Committee on 9 June 2015.
8. The approval of both committees is required before it is finalised and presented to the Cabinet for consideration.

## **Way Forward**

9. Members may wish to consider the report, make any amendments and agree whether to approve the content of the report. Members will need to decide if they are happy with the content of the draft report; if so they will have the opportunity to endorse it for submission to the Cabinet.
10. Should the Policy Review & Performance Scrutiny Committee endorse the draft report, the Chair will present it to the Cabinet at the next available Cabinet Meeting. The Cabinet will then respond to the report and their response will be brought back to this Committee for discussion.

## **Legal Implications**

11. 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 any modifications. 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 powers 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. Scrutiny Procedure Rules; (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**

12. 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. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

### **Recommendations**

The Committee is recommended to:

1. Consider and where necessary revise the draft report of the Task and Finish Group.
2. If no further alterations are required, endorse the report for submission to the Cabinet.

## **RECOMMENDATIONS**

The Committee is recommended to:

1. Take account of the information received at the meeting, and;
2. Report any comments to the Cabinet for their consideration.

**Marie Rosenthal**

**Director of Governance & Legal Services**

**29 June 2015**



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**A Joint Report of the Environmental  
and Policy Review & Performance  
Scrutiny Committees**

**Infrastructure Business Model  
& Alternative Delivery Options**



**City & 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**

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## 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.

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## 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 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 19<sup>th</sup> February 2015.
- **Wholly Owned Arms Length Company** – The Chair of the Committee visited Cheshire East Council on the 24<sup>th</sup> 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 25<sup>th</sup> 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 six key elements for creating a successful alternative delivery model***

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 XX – XX)
- *Multi Skilling & Training* (pages XX – XX)
- *Income Generation & Commercialisation* (pages XX – XX)
- *Performance Management* (pages XX – XX)
- *Managing Cultural Issues* (pages XX – XX)
- *Financial Control* (pages XX – XX)

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 no 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.

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### ***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.

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### ***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.

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### ***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.

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## ***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.

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## 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 Hodgkinson – 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.

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## 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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**CITY & COUNTY OF CARDIFF**  
**DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE**  
**SCRUTINY COMMITTEE**

**7 July 2015**

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**ALTERNATIVE DELIVERY MODELS: EVALUATION METHODOLOGY**

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**Purpose of Report**

1. To provide information for Members on the Council's emerging methodology for evaluating Alternative Delivery Models, in preparation for a presentation on this subject at the Committee's 7 July 2015 meeting.

**Background**

2. This Committee is empowered through the Council's Constitution 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", and also to: "scrutinise, monitor and review the effectiveness of the Council's systems of financial control and administration and use of human resources."
3. This Committee has shown great interest in the Council's Programme of Organisational Development during the 2014/15 Municipal Year. The Programme is cited as the vehicle for the Council to transform service delivery in a customer-focused way that meets the scale of the financial challenge facing the Council at present and for the foreseeable future.

## Issues

4. Various Council directorates are currently developing proposals for alternative delivery of Council services, to meet the financial and service pressures facing the organisation. A growing range of options is available to meet the specific needs of a service to deliver more for less, and to benefit from the unique advantages that can be delivered by that option. These options include modifying the existing in-house service, developing Council-owned trading companies, entering into joint ventures with other public bodies, and outsourcing to the private sector.
5. It is considered important that decisions on the recommended model of delivery for a Council service are taken in an appropriate, consistent and evidence-led manner, to ensure their optimal efficiency and sustainability. Officers within the Council's Commissioning and Procurement Team have therefore been working with colleagues to develop an Evaluation Methodology that will guide practice and ensure accountability for recommended decisions, many of which will be reported through the Programme for Organisational Development. The Methodology has been independently assessed by Local Partnerships as being 'appropriate and robust' and is currently being piloted within Infrastructure Services before a scheduled roll out across the Council.

## Scope of Scrutiny

6. Attached at **Appendix 1**, Members will find a short document setting out, in presentation style, information about the emerging Evaluation Methodology. The structure of the presentation is as follows:
  - a. Slides 4 – 9 set the context to the Methodology, including its origins and phases; its purpose; the evaluation criteria.
  - b. Slides 11 to 13 detail the Model Scores for the five shortlisted Infrastructure Services Delivery Models –Appendix 2b (Consensus Model Scores) sets out the scores and reasoning.

- c. Slides 15 to 16 explain how a criteria weighting system can be applied to the appraisal, and early work that has taken place to pilot this. These slides will be used to explain the Weighting Matrix that will be circulated with this report.
- d. Slides 18 to 19 illustrate the whole approach in two worked examples.
- e. Slides 21 to 22 sets out the Trades Union Engagement and Next Steps.

The final slide seeks Scrutiny Members comments.

## **Way Forward**

- 7. At the meeting, Councillor Graham Hinchey, Cabinet Member Corporate Resources and Performance will attend to consider Members' feedback and observations on the draft Evaluation Methodology. Also in attendance will be Christine Salter, Corporate Director Resources, Steve Robinson, Operational Manager, Commissioning & Procurement, and John Paxton, Strategy and Development Manager, to present the evaluation methodology and facilitate Member questions. They will also use **Appendices 2 & 3** to explain the Methodology.
- 8. Members are requested to probe and test the methodology by questioning around the presentation delivered to provide their feedback to the Cabinet Member and officers to inform a draft Cabinet report to be produced in the summer.

## **Legal Implications**

- 9. 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 any modifications. 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 powers 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. Scrutiny Procedure Rules; (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**

10. 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. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

### **Recommendation**

The Committee is recommended to note the content of this report, **Appendix 1** and the information provided at the meeting, and provide feedback to the Cabinet to inform their consideration of the methodology at the 16 July 2015 meeting.

**MARIE ROSENTHAL**

Director of Governance & Legal Services  
29 June 2015

# Alternative Delivery Model Evaluation Methodology

Presentation to PRAP

7<sup>th</sup> July 2015

# Objective of Session

- To ensure understanding of the alternative delivery model evaluation methodology, terminology and process.
- To seek Scrutiny Members comments on the methodology.



# DEVELOPING THE EVALUATION METHODOLOGY

# Background

- Organisational Change Programme
- Service Planning Framework
  - Phase 1: Service Review
    - Toolkit developed and piloted. Scheduled for minor revisions to reflect feedback and lessons learnt. Feeds into business planning process and identifies opportunities to improve performance and/or reduce costs.
  - Phase 2: Outline Business Case
    - Evaluates delivery models and identifies recommended option
    - Delivery Model Options Appraisal Toolkit being developed
  - Phase 3: Detailed Business Case
    - Utilises Green Book approach – 5 Case Model
      - Strategic, Economic, Financial, Commercial and Management



# Outline Business Case

- Evaluates alternative delivery models and identifies suggested model for each service
- Based on five case model:
  1. Strategic
    - ✓ Need for change
  2. Economic
    - ✓ Options appraisal
  3. Financial
  4. Commercial
  5. Management

***Options appraisal is an aid to decision-making. It is not the sole mechanism for determining the outcome***

# Model Evaluation Methodology

- Methodology must:
  - Be simple and easily understood
  - Be robust, transparent and auditable
  - Score models relative to each other based on Council priorities
  - Facilitate challenge on score
  - Aid the identification of a recommended delivery model
- Two stage Model Evaluation Methodology
  - Stage 1: Model scoring
  - Stage 2: Criteria Weighting
  - Recommended Delivery Model = Model Score x Criteria Weighting

The Model Evaluation Methodology is an aid to decision-making. It is not the sole mechanism for determining the outcome, other factors will be taken into account in the Outline Business Case.

# Other Factors (not exhaustive)



# Developing the 8 Criteria

- Developed by C&P, HR, Legal, Finance and Environment Teams to support the Infrastructure Services Project
- Piloted in Infrastructure Service to be adopted Corporately
- 8 Criteria to:
  - underpin the evaluation methodology
  - address Organisational Programme Objectives
  - enable consistent and objective assessment of an alternative delivery models potential to deliver a specific Council service
- Criteria independently assessed by Local Partnership as ‘appropriate and robust’



# The 8 Criteria



	How important is it that the chosen model for service delivery will allow the Council...
Reduced operating costs	To transfer risk in relation to cost reductions
	To exploit income opportunities for its benefit
Improved customer satisfaction & demand management	To maintain influence and control over day-to-day decision making
	Flexibility to change service scope and delivery specifications in future years
Improved outcomes & performance	To transfer risk in respect of operational performance
	To transfer risk in respect of repaying financial investment (if required)
	To transfer the risk to improve service delivery performance and increase capacity
Design & delivery	To realise benefits within the short term

## MODEL SCORES



# Model Scoring

- Cabinet on 20<sup>th</sup> November 2014 agreed the shortlist of alternative delivery models for the Infrastructure Services Project:
  - Modified in-house
  - Wholly Owned Arms Length Company
  - Public/Public Joint Venture
  - Public / Private Joint Venture
  - Outsourcing
- Scoring required on models in general
- All models should be scored on a 1 to 6 scale in terms of their ability to achieve each criteria
- 1 represents a minimum ability and 6 a maximum ability

# Model Scoring



Evaluation criterion statement	Question to ask when assigning model score	Modified in-house	Council owned trading company	Public / public joint venture	Public / private joint venture	Outsourcing
1. How important is that the chosen model for service delivery will allow the Council to transfer risk in relation to cost reductions	How able is the model to transfer risk for achieving cost savings away from the Council?	1	2	4	5	6
2. How important is that the chosen model for service delivery will allow the Council to exploit income opportunities for its benefit	How able is the model to exploit income generation opportunities for the Council's benefit?					
3. How important is that the chosen model for service delivery will allow the Council to maintain influence and control over day to day decision making	How able is the model to allow the Council to maintain influence and control over day-to-day decision making?					
4. How important is that the chosen model for service delivery will allow the Council flexibility to change service scope and delivery specifications in future years	How able is the model to allow the Council to easily change service scope and delivery specifications in future years?					
5. How important is that the chosen model for service delivery will allow the Council to transfer risk in respect of operational performance	How able is the model to transfer risk in respect of operational performance?					
6. How important is that the chosen model for service delivery will allow the Council to transfer risk in respect of repaying financial investment (if required)	How able is the model to transfer risk in respect of repaying financial investment (if required)?					
7. How important is that the chosen model for service delivery will allow the Council to transfer risk to improve service delivery performance and increase capacity	How able is the model to transfer the risk to improve service delivery performance and increase capacity?					
8. How important is that the chosen model for service delivery will allow the Council to realise benefits within the short term	How able is the model to realise benefits in the short term?					



# Model Scoring

- Infrastructure Project Board members independently scored the capability of shortlisted Models to achieve the criteria
- Local Partnerships facilitated meeting agreed consensus model scores
- Union engagement on Model Scores
- Model scores should be generic across all services but there is scope to amend in exceptional circumstances - any slight changes to the scores would be rare and would need to be evidenced.



## CRITERIA WEIGHTING



# Criteria Weightings Matrix

- Criteria Matrix Statement Weightings
  - “How important is it that the chosen model for service delivery will allow the Council ...” then 8 Criteria
  - Matrix explains factors if scoring high or low
  - 100 points to be allocated across 8 criteria - (min 0 and max 30 for any one criteria)
- Piloted in Infrastructure Services
  - OMs weighted criteria utilising Service Reviews setting out their reasoning
  - Reviewed by Directors in challenge sessions and Directors briefed Cabinet Members
  - Weighting challenged by Local Partnerships who are acting as ‘critical friend’
  - Methodology, weighting and reasoning presented to Unions for comments

# Criteria Weighting

- Explanation of the Criteria Weighting Matrix handout to be provided.
- The Matrix provides a clear statement on when a high or low score should be given.
- Criteria weightings are specific to each service.



## WORKED EXAMPLE



# Worked Example 1



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		Name of Service										
		Weighting	In House		Teckal		Pub/Pub JV		Pub/Priv JV		Out	
How important is it that the chosen model for service delivery will allow the Council....		Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	
Reduced Operating Costs	to transfer risk in relation to cost reductions (Cost Security)	10	1	10	2	20	4	40	5	50	6	60
	to exploit income generation opportunities	15	3	45	4	60	5	75	5	75	2	30
Improved Customer Satisfaction and Demand Management	to maintain influence and control over day to day decision making	25	6	150	4	100	3	75	2	50	1	25
	flexibility to change service scope and delivery specifications in future years	20	6	120	5	100	4	80	3	60	2	40
Improved Outcomes and Performance	to transfer risk in relation to operational performance	5	1	5	2	10	3	15	4	20	5	25
	to transfer risk in respect of repaying financial investment (if required)	5	1	5	1	5	4	20	4	20	6	30
	to transfer risk in the delivery of service performance and improvements	10	1	10	3	30	4	40	5	50	5	50
Design & Delivery	to realise benefits within the short term	10	4	40	3	30	3	30	2	20	2	20
		<b>100</b>		<b>385</b>		<b>355</b>		<b>375</b>		<b>345</b>		<b>280</b>



# Worked Example 2



**DRAFT**

		Name of Service										
		Weighting	In House		Teckal		Pub/Pub JV		Pub/Priv JV		Out	
	How important is it that the chosen model for service delivery will allow the Council....		Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score	Model Score	Weighted Score
Reduced Operating Costs	to transfer risk in relation to cost reductions (Cost Security)	25	1	25	2	50	4	100	5	125	6	150
	to exploit income generation opportunities	15	3	45	4	60	5	75	5	75	2	30
Improved Customer Satisfaction and Demand Management	to maintain influence and control over day to day decision making	5	6	30	4	20	3	15	2	10	1	5
	flexibility to change service scope and delivery specifications in future years	10	6	60	5	50	4	40	3	30	2	20
Improved Outcomes and Performance	to transfer risk in relation to operational performance	5	1	5	2	10	3	15	4	20	5	25
	to transfer risk in respect of repaying financial investment (if required)	5	1	5	1	5	4	20	4	20	6	30
	to transfer risk in the delivery of service performance and improvements	15	1	15	3	45	4	60	5	75	5	75
Design & Delivery	to realise benefits within the short term	20	4	80	3	60	3	60	2	40	2	40
		<b>100</b>		<b>265</b>		<b>300</b>		<b>385</b>		<b>395</b>		<b>375</b>



## UNION ENGAGEMENT





# Union Engagement

## Key dates

- Meeting to discuss ADM Evaluation Methodology
  - 6<sup>th</sup> March, 16<sup>th</sup> March, 15<sup>th</sup> April and 11<sup>th</sup> May (½ day workshop)
  - Unions agreed that they understood the alternative delivery model evaluation methodology, terminology and process
- Meeting to score the Models
  - 18<sup>th</sup> May
- Meetings to discuss proposed Infrastructure Service Area weightings and reasoning.
  - 18<sup>th</sup> March and 25<sup>th</sup> March – weightings and reasoning presented
  - 19<sup>th</sup> and 29<sup>th</sup> June – series of meetings between Unions, Directors and OMs to discuss proposed weighting for 14 services within scope
  - Weightings amended to reflect discussions

## Next Steps

- Finalise Union Consultation on ADM Evaluation Methodology
- Outline Business Case to Cabinet

**If the outline business case is approved, development of a full business case begins**

**If at any time the case doesn't stack up, alternatives will be considered**

**Modified In House comparator is always an option**

## COMMENTS



# Comments

Scrutiny Members are asked for comments on the:

1.8 Criteria that underpin the evaluation methodology

2. Model Scores

3. Weighting Criteria

4. ADM Evaluation Methodology



# **City of Cardiff Council**

Alternative Delivery Models

Assessment Panel Pack

**Part 3: Scoring**

## Scoring system

### Introduction

The ADM Model Scoring is the first stage of the two stages in the ADM Evaluation Methodology scoring system, the second stage is assigning criteria weightings for a specific service. The suggested delivery model will be the Model that receives the highest score when multiplying the model score by the criteria weighting. It must be stressed that the Methodology is an aid to decision-making. It is not the sole mechanism for determining the outcome but will be taken into account in the Outline Business Case along with other factors.

### Scoring the Model

Each shortlisted delivery model should be scored according to its ability to deliver against each of the eight Key Criteria / Critical Objectives. All models should be scored on a 1 to 6 scale in terms of their ability to achieve each criteria, where 1 represents a minimum ability and 6 a maximum ability. The Assessment Panel Pack (Part 2) Guidance provides a description of each Model before providing a “Commentary on Characteristics of Model in Respect of the Evaluation Criteria” and should be referenced when completing the Model scoring. The basic assumptions that need to be taken into account are:

- **Modified In-house:** That the ability to trade commercially focusses on earning income from sources **outside** the local authority, taking into account statutory limitations on such ability to trade, such as cost recovery, rather than for revenue/profit maximisation;
- **Wholly owned arms-length company:** That it would be subject to a “Teckal exemption”, and hence the trading activity of the company from sources outside the Council must not exceed 20% of its turnover. The Council can passport work to the company without a competitive procurement process;
- **Public/Public JV:** That it would be subject to a “Teckal exemption”, and hence the trading activity of the company from sources outside its owners must not exceed 20% of its turnover. The Council can passport work to the company without a competitive procurement process. That a 50:50 share of ownership is assumed.
- **Public/Private JV:** No limitations on trading ability. That a competitive dialogue procurement of a JV partner is required. That the authority would have a minority ownership.
- **Outsourcing:** No limitations on trading ability. That a competitive dialogue procurement process is required.

# Scoring Matrix

	Evaluation Criterion Statement Weighting	Question to Ask When Assigning Model Score	Modified In- house	Council Owned Trading Company	Public/Public Joint Venture	Public/Private Joint Venture	Outsourcing
1.	How important is that the chosen model for service delivery will allow the Council to transfer risk in relation to cost reductions	Ability of model to transfer risk for achieving cost savings away from the Council?					
2.	How important is it that the chosen model for service delivery will allow the Council to exploit income opportunities	Ability of model to exploit income generation opportunities					
3.	How important is it that the chosen model for service delivery will allow the Council to maintain influence and control over day to day decision making	Ability of the Model of allow the Council to maintain influence and control over day to day decision making					
4.	How important is it that the chosen model for service delivery will allow the Council flexibility to change service scope and delivery specifications in future years	Ability of the Model to allow the Council to change service scope and delivery specifications in future years					

5.	How important is it that the chosen model for service delivery will allow the Council to transfer risk in respect of operational performance	Ability of model to transfer risk in respect of operational performance					
6.	How important is it that the chosen model for service delivery will allow the Council to transfer risk in respect of repaying financial investment (if required)	Ability of Model to transfer risk in respect of repaying financial investment (if required)					
7.	How important is it that the chosen model for service delivery will allow the Council to improve service delivery performance and increase capacity	Ability of Model to improve service delivery performance and increase capacity					
8.	How important is it that the chosen model for service delivery will allow the Council to realise benefits within the short term.	Ability of Model to realise benefits in the short term					

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# **City of Cardiff Council**

Alternative Delivery Models

## **Part 3: Consensus Model Scores**

**Consensus Scores developed by Infrastructure Project Board Members**

**13<sup>th</sup> March 2015**

## Scoring system

The scoring system is as an aid to decision-making, not the sole mechanism for determining the outcome - other factors will need to be taken into account.

Each model has been scored according to its ability to deliver against each of the Key Criteria / Critical Objective.

All models were scored on a 1 to 6 scale in terms of their ability to achieve each criteria, where 1 represents a minimum ability and 6 a maximum ability.

Infrastructure Project Board Members used the Assessment Pack to independently score the five shortlisted models against the 8 key criteria. The scores were collated by Local Partnerships who then facilitated a discussion on the scores to agree the consensus scores set out in the table below. The reasoning for the consensus scores are also set out below.

The Enabling and Commissioning Board meeting on 14<sup>th</sup> April agreed that 'The Model Scores developed by the Project Team be used on the Infrastructure Services Project'. The use of the Consensus Model Scores on the Infrastructure Services Project will be assessed before being rolled out across the Council. There will be the potential to vary the Models scores in certain limited cases to reflect the specific circumstances in a service – the reasons / evidence for any proposed change will need to be clearly set out.

In terms of reaching a recommended delivery model the score of each model against each criteria will then be multiplied against how each service weighted each criteria.

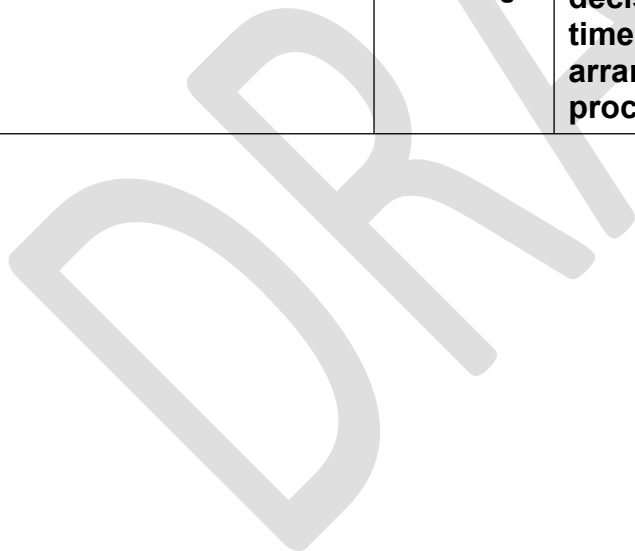
	Evaluation Criterion Statement	Question to Ask When Assigning Model Score		Modified In-house	Council Owned Trading Company	Public/Public Joint Venture	Public/Private Joint Venture	Outsourcing
1.	How important is that the chosen model for service delivery will allow the Council to transfer risk in relation to cost reductions	How able is the model to transfer risk for achieving cost savings away from the Council?	Score	1	2	4	5	6
			Group reasoning	Broad agreement on score that as you move from in-house to outsourcing and there is more involvement and engagement with others outside Cardiff Council, the greater the transfer of risk. Discussion was held around the differences in transferring risks between a public / public JV and a public / private JV and it was felt in general that there is the potential to transfer more risk to a private sector JV partner as they would have been subject to a competitive procurement whilst the public sector JV partner is likely to be more aligned in terms of ethos. All would be dependent on the structure of the precise deal / contract.				
2.	How important is it that the chosen model for service delivery will allow the Council to exploit income opportunities for its benefit	How able is the model to exploit income generation opportunities for the Council's benefit?	Score	3	4	5	5	2
			Group reasoning	Assumes trading powers can be fully utilised for any model involving a direct role for Cardiff Council (models 1-4). For Public & Private JV equal ownership is assumed, hence equal income sharing arrangements would apply, as agreed as part of the selection process, with such models benefitting from the partner's commercial experience. Assumes in outsourcing, that the private sector retains this for its own shareholders.				
3.	How important is it that the chosen model for service delivery will allow the Council to maintain influence and control over day to day decision making	How able is the model to allow the Council to maintain influence and control over day to day decision making?	Score	6	4	3	2	1
			Group reasoning	Broad agreement that the in-house model allows 100% control and as you move away from that, control over decision making diminishes. Discussion was held around the differences in transferring risks				

				<b>between a public / public JV and a public / private JV and it was felt in general that there is the potential to maintain a greater degree of control with a public sector JV partner as they are likely to be more aligned in terms of ethos. All would be dependent on the structure of the precise deal / contract.</b>
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4.	How important is it that the chosen model for service delivery will allow the Council flexibility to change service scope and delivery specifications in future years	How able is the model to allow the Council to easily change service scope and delivery specifications in future years?	Score	6	5	4	3	2
			Group reasoning	<b>As with #3 above, if there is greater control, it is believed there will be more flexibility for the Council. Assumes that whilst an outsourced contract can be changed, then there would be a cost premium for such flexibility.</b>				
5.	How important is it that the chosen model for service delivery will allow the Council to transfer risk in respect of operational performance	How able is the model to transfer risk in respect of operational performance?	Score	1	2	3	4	5
			Group reasoning	<b>Broad agreement on score that as you move from in-house to outsourcing and there is more involvement and engagement with others outside Cardiff Council, the greater the transfer of risk. Discussion was held around the differences in transferring risks between a public / public JV and a public / private JV and it was felt in general that there is the potential to transfer more risk to a private sector JV partner as they would have been subject to a competitive procurement whilst the public sector JV partner is likely to be more aligned in terms of ethos. All would be dependent on the structure of the precise deal / contract.</b>  <b>It was discussed, that this would not be the same for all services in scope as some have statutory indicators and the Council cannot divorce itself of the responsibility. There will always be some form of reputational risk.</b>				
6.	How important is it that the chosen model for service delivery will allow the Council to transfer risk in respect of repaying financial investment (if required)	How able is the model to transfer risk in respect of repaying financial investment (if required)?	Score	1	1	4	4	6
			Group reasoning	<b>For the first two models responsibility ultimately still remains fully with the Council, though under a Council wholly owned company as a parent “guarantor”. For three and four it is shared (assumed to be equally) with a partner. Need to be clear from the start where risks sit.</b>				

7.	How important is it that the chosen model for service delivery will allow the Council to transfer the risk to improve service delivery performance and increase capacity?	How able is the model to transfer the risk to improve service delivery performance and increase capacity?	<b>Score</b>	1	3	4	5	5
			<b>Group reasoning</b>	<b>Some debate as this appears to be two questions within one. The scores assume that this will be discussed as part of any negotiations to establish the deal / contract. This needs to be reflected in the Outline Business Case. There was an assumption that the private sector (as potential JV partner or outsourced contractor) would bring in additional resources / staff / expertise.</b>				
8.	How important is it that the chosen model for service delivery will allow the Council to realise benefits within the short term.	How able is the model to realise benefits in the short term?	<b>Score</b>	4	3	3	2	2
			<b>Group reasoning</b>	<b>Assumption was made that short term is within the year from when a decision is made, based on the MTFP. The scoring reflects the projected time taken to establish the necessary vehicles, and in the case of arrangements involving the private sector, undertaking a competitive procurement.</b>				



Objective	How important is it that the chosen model for service delivery will allow the Council ...	Statement Weighting (Total score must equal 100)	Question to ask when assigning a weighting	Statement weighting scores explained	Reason for assigned weighting (Provide a brief explanation for the level of weighting assigned to the statement)
Reduced Operating Costs	to transfer risk in relation to cost reductions (Cost Security) <i>[N.B. If you score this statement highly, the statement 'to retain influence and control over day to day decision making' should be scored low. As these statements are not mutually compatible]</i>		How important is it (to you) that any cost reductions identified for the Council will definitely be achieved?	High score - considers transferring risk in terms of cost reduction is a high importance/priority and/or where high cost reductions are required and confidence of delivery in-house is low (due to capability and/or capacity of internal staff, constraints of existing Council policies and/or systems, a need for external support and/or expertise)  Low score - considers transferring risk in terms of cost reduction is a low importance/priority and/or where cost reductions are required and confidence of delivery in-house is high (due to capability and/or capacity of internal staff, a lack of issues with existing Council policies and/or systems, no need for external support and/or expertise)	
	to exploit income generation opportunities		How important is it (to you) that the Council will maintain and increase current income levels?	High score - considers that being able to exploit income generation is a high importance/priority and/or where assets provide opportunities to generate further income for the Council's benefit.  Low score - considers that being able to exploit income generation is a low importance/priority and/or where assets provide few opportunities to generate further income for the Council's benefit.	
Improved Customer Satisfaction and Demand Management	to maintain influence and control over day to day decision making <i>[N.B. If you score this statement highly, the statement 'to transfer risk in relation to cost reductions' should be scored low. As these statements are not mutually compatible]</i>		How important is it (to you) that the Council will be able to make ad-hoc service requests on a daily basis and re-prioritise scheduled/programmed work as a result?	High score - considers retaining influence and control over day to day decision making is a high importance/priority. This will generally be for services where there is a custom/need to work in a reactive manner i.e. prioritising customer or Councillor job requests.  Low score - considers retaining influence and control over day to day decision making is a low importance/priority. This will generally be for services where there is not a custom/need to work in a reactive manner.	
	flexibility to change service scope and delivery specifications in future years		How important is it (to you) that the Council will be able to freely and easily change the way services are delivered, without being penalised for doing so?	High score - considers that having the flexibility to change service scope & delivery specifications in future years is a high importance/priority.  Low score - considers that having the flexibility to change service scope and delivery specifications in future years is a low importance/priority.	
Improved Outcomes and Performance	to transfer risk in relation to operational performance		How important is it (to you) that the Council will be able to pass on a proportion of responsibility and recover costs for any failure to meet statutory performance indicators?	High score - considers transferring risk in terms of operational performance is a high importance/priority. This is generally where the service has a high public profile and/or where there are high levels of regulation and failure to meet requirements can lead to financial penalties being imposed.  Low score - considers transferring risk in terms of operational performance is a low importance/priority. This is generally where the service has a low public profile, and/or where there is little regulation and there are no/low financial penalties for failure to meet requirements.	
	to transfer risk in respect of repaying financial investment (if required)		How important is it (to you) that the Council will not be wholly responsible for repaying any debt incurred as a result of financial investment?	High score - considers the need to transfer risk in respect of financial investment as a high importance/priority. This will generally be where significant financial investment is required to deliver the proposed changes to the service.  Low score - considers the need to transfer risk in respect of financial investment as a low importance/priority. This will generally be where a low level of financial investment is required to deliver the proposed changes.	
	to transfer risk in the delivery of service performance and improvements		How important is it (to you) that the Council will be able to pass on a proportion of the responsibility if service improvement actions and increased performance are not achieved?	High score - considers that making improvements to service delivery performance is of a high importance/priority. This will generally be because the complexity and scale of change is high and/or the confidence of delivery in-house is low (due to capability and/or capacity of internal staff, constraints of existing Council policies and/or systems, a need for external support and/or expertise)  Low score - considers that making improvements to service delivery performance is of a low priority. This will generally be because the complexity and scale of change is low and/or the confidence of delivery in-house is high (due to capability and/or capacity of internal staff, a lack of issues with existing Council policies and/or systems, no need for external support and/or expertise)	
Design & Delivery	to realise benefits within the short term		How important is it (to you) that the model will be able to realise benefits within the short term?	High score - considers that being able to realise benefits, including cashable savings, within the short term is a high importance/priority.  Low score - considers that being able to realise benefits, including cashable savings, within the short term is a low importance/priority or there is flexibility for identified benefits to be realised over a longer timescale.	
<b>Total (Must equal 100)</b>		<b>0</b>			

\* Partnership and Collaborative working was considered as a weighting statement, however it was felt that all shortlisted models would provide equal opportunities in this regard so it has not been considered as a separate factor.

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**CITY & COUNTY OF CARDIFF**  
**DINAS A SIR CAERDYDD**

**POLICY REVIEW & PERFORMANCE**  
**SCRUTINY COMMITTEE**

**7 July 2015**

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**CORRESPONDENCE – INFORMATION REPORT**

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**Background**

1. Following Committee meetings, the Chair writes a letter to the relevant Cabinet Member or senior officer, summing up the Committee's comments, concerns and recommendations regarding the issues considered during that meeting. The letter usually asks for a response from the Cabinet Member to any recommendations made, and sometimes requests further information.

**Issues**

2. A copy of the ***Correspondence Monitoring Sheet*** detailing the Committee's correspondence, and analysing responses received since the June meeting, is attached at **Appendix 1**. Also attached to this report are copies of all relevant correspondence.

**2 June**

3. The Committee received a presentation and update of the Attendance & Wellbeing Policy Review, including case study briefings from the Sport, Leisure & Culture, and Environment directorates. A copy of the Chair's letter to the Cabinet Member Corporate Service & Performance following the scrutiny is attached at **Appendix 2a**. A prompt response has been received from Councillor Hinchey and is attached at **Appendix 2b**. A fire alarm during the meeting led to a lengthy adjournment, and resulted in the Alternative Delivery Model Evaluation Methodology being forward programmed for the Committee's meeting on 7 July 2015.

4. In addition a response has been received from the Leader to the Committee's letter on Quarter 4 Performance at its 12 May meeting. This is attached at **Appendix 3a**, together with the Chair's letter at **Appendix 3b**.

### **Legal Implications**

5. 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 any modifications. 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 powers 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. Scrutiny Procedure Rules; (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**

6. 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. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

**Recommendation**

The Committee is recommended to note the content of this report and appendices, and decide whether it wishes to take any further actions, or request any further information.

**MARIE ROSENTHAL**

Director of Governance and Legal Services

26 June 2015

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## Policy Review and Performance Scrutiny Committee

Correspondence update 2014 - 15

Committee date& topic	Recipient	Comments/Information requested	Response received	Response	Future Action
2 June	Cllr Hinchey	<ul style="list-style-type: none"> <li>• To have a more dramatic impact on the figures, greater urgency is required.</li> <li>• The Council should consider setting harder targets and timescales, and if these are not achieved it should consider revising the policy.</li> <li>• The Committee urge it is important that the Trade Unions continue to be a part of this journey.</li> </ul>	25 June 15	<ul style="list-style-type: none"> <li>• Recognise the need to maintain a very clear focus on managing attendance. This review was about strengthening and tightening up the current policy with emphasis on managers being held to account regarding management of sickness.</li> <li>• Have already committed to undertake a further review in 12 months of the revised policy, agreed by Cabinet on 11 June 2015 to take effect from 01 July 2015. Should improvements not be achieved or sustained the review will need to consider more radical and stringent changes.</li> <li>• We will continue to monitor the spend on agency workers brought into cover sickness.</li> </ul>	

		<ul style="list-style-type: none"> <li>• Endorse the existence of an HR Central Sickness Team. Recognise the impact such support has had, and support its continuation going forward.</li> <li>• Agree with Directorates there is a need to strengthen Occupational Health support. For example, take action if a member of staff misses a first occupational health appointment; stop pay where occupational health appointments are repeatedly missed.</li> <li>• What are the costs to the Council of missed appointments, particularly where the Council has booked specialist sessional doctors?</li> </ul>	<ul style="list-style-type: none"> <li>• Clear that the team within HRPS are making a real difference and are actively supporting directorates in managing absence cases and your views regarding its continuation are welcomed</li> <li>• We are taking on your Occupational Health Service processes and putting in place arrangements whereby a “no show” at the second OHS appointments without explanation will result in a stoppage of pay.</li> <li>• The active involvement and accountabilities of managers in their staff who are “no shows” is also being strengthened in this respect.</li> <li>• In terms of the costs of missed OHS appointments with specialist / sessional doctors you requested, the information for 2014/15 is that this cost around £7,000. This represents 72 appointments where there was a no show on</li> </ul>	
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		<ul style="list-style-type: none"> <li>• The Committee considers it appropriate that the Council is more flexible with trigger points where there are long term sickness issues, for example where an employee has cancer and is undergoing radiotherapy.</li> <li>• Members are most keen to support phased return to work from sickness absence, and welcome the recommendation that staff be allowed to return to work without a doctor's note.</li> <li>• Re-state that management accountability for tackling sickness absence is key; a strengthening of holding</li> </ul>		<p>the day so there was no time to offer the appointment to someone else. Currently we do not charge Directorates for no shows, but I have asked that these missed appointments are charged back to Directorates with effect from 01 July 2015.</p> <ul style="list-style-type: none"> <li>• Your comments regarding the need for flexibility on trigger points in certain circumstances, the ongoing requirement for robust challenge of managers in dealing with sickness absence and mandatory nature of the e-learning requirement for all managers are already built into the revised arrangements.</li> </ul>	
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		<p>managers to account might be appropriate; and sickness absence e-training for managers should be made mandatory.</p> <ul style="list-style-type: none"> <li>• Pleased to hear that HR is looking into Employee Attendance Support packages for staff.</li> <li>• Note the particular difficulty faced by the Environment Directorate in achieving all Return to Work interviews within 3 days, due to the mobile nature and shift working patterns of operatives.</li> <li>• Reassured to note the core city sickness data comparisons provided. The Committee feels it would be enlightening to compare the Council with large organisations within business and industry as well as core cities. Members are aware, for example, that organisations that gave evidence to its</li> </ul>		<ul style="list-style-type: none"> <li>• In terms of data comparisons, I take on board your comments regarding the need to compare with other organisations outside of the Core Cities. Whilst these were selected as we are comparing like with like, we will liaise with colleagues who supported the Infrastructure Business Model and Alternative Delivery Options Task group to better understand</li> </ul>	
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		<p><i>Infrastructure Business Model &amp; Alternative Delivery Options</i> task group typically suggested they would be seeking to reduce sickness to 3 days FTE per annum.</p> <ul style="list-style-type: none"> <li>Highlighted the risk of inaccurate manual inputting of sickness data, and that auditing the accuracy of data would be a good idea.</li> <li>Requested the final sickness 2014/15 outturn figures for Waste Operations be forwarded.</li> </ul>		<p>how the organisations referred to achieved their targets and what we can learn from them will be considered as part of the review referred to earlier.</p> <ul style="list-style-type: none"> <li>Whilst audit colleagues undertake audit of e.g. payroll processes, they do not currently audit the accuracy of managers inputting details of sickness absence and I will explore with the Section 151 Officer the feasibility of doing this.</li> <li>In relation to your request for data concerning the final sickness 2014/15 outturn figure for Waste Operations, I can confirm that this was 18.11 FTE days lost for 2014/15.</li> <li>In summary, whilst improvements have been secured over the years in sickness levels, the outturn for 2014/15 represents the lowest outturn achieved since our records began. Whilst the overall</li> </ul>	
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**Correspondence Monitoring Sheet**

**Appendix 1**

				target was not achieved, some areas made substantial improvements and either met or exceeded their targets. Part of what we need to do is not only learning from those externally how improvements can be secured, but also to share the good practise that already exists more widely across the organisation.	
12 May <b>Performance</b>	Cllr Bale	<ul style="list-style-type: none"> <li>Members are seeking clarification of arrangements around the cost implications and selection process put in place for the appointment of the advisor to the Education Service.</li> </ul>	<b>18.June</b>	<ul style="list-style-type: none"> <li>This role has been commissioned by the Central South Consortium as one of a number of elements of school improvement support which are specific to Cardiff local authority. It is funded from within the existing funding agreement between the Council and the Consortium. Mr Hill was selected on recommendation from the Welsh Government because of his strong expertise in school improvement, and his knowledge of the policy context in Wales.</li> <li>We have recently begun to include key recommendations from the Challenge Forum in the quarterly performance report, which already goes some way to</li> </ul>	

		<ul style="list-style-type: none"> <li>• Members wish to have sight of the recommendations such specialist advisors present to the Council.</li> <li>• Members look forward to meaningful pre-decision scrutiny of the Attendance &amp; Well-Being Review at the forthcoming 2 June Committee</li> <li>• The Committee will be looking to invite service specific representatives to PRAP next time it scrutinises Performance</li> <li>• Members look forward to receiving copies of the minutes of the Challenge Forum</li> </ul>		<p>addressing your request. To assist further this will be most effectively facilitated through engagement with the individual scrutiny committees dealing with those services, and officers will ensure that an appropriate vehicle for this exchange is established.</p> <ul style="list-style-type: none"> <li>• Complete</li> <li>• Consider it beneficial that the Committee invites service representatives to PRAP performance scrutiny provided there is no duplication of effort. Suggest Scrutiny Manager and Chief Officer Change &amp; Improvement discuss how best to implement with the Chairs Liaison Forum.</li> <li>• Arrangements will be put in place to ensure that the notes of Challenge Forum meetings are circulated</li> </ul>	
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**Correspondence Monitoring Sheet**

**Appendix 1**

		<ul style="list-style-type: none"> <li>The Committee will be factoring the concerns, recommendations and requests of the four other scrutiny committees into its future consideration of Performance.</li> </ul>			
12 May	Cllr Bale	<ul style="list-style-type: none"> <li>Members suggest the Council asks its customers what services they need free of charge, and what they are prepared to pay for, with a view to increasing the Council's income from services.</li> <li>Members ask that you place on record that libraries will be protected in the 2016/17 budget round, as agreed at the 2015/16 budget meeting.</li> <li>Should there be a proposal to close Roath Library; Members ask that the proposal be presented to Full Council.</li> <li>In light of the ongoing work around Alternative Delivery</li> </ul>	<b>Awaited</b>		
<b>Financial Resilience</b>					

**Correspondence Monitoring Sheet**

**Appendix 1**

		<p>Models, Members urge that you build in realistic timescales for budgeting purposes</p> <ul style="list-style-type: none"><li>• Members would be interested to hear of an example where a co-operative solution has resulted in financial savings in service delivery.</li><li>• Members request that you bring a draft of any proposed Council support for the City Deal to Committee for pre-decision scrutiny.</li></ul>			
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