

**CABINET MEETING: 16 JUNE 2016**

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**INFRASTRUCTURE SERVICES – ALTERNATIVE DELIVERY  
MODELS : NEXT STEPS**

**REPORT OF THE CHIEF EXECUTIVE**

**AGENDA ITEM: 10**

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**PORTFOLIOS: ENVIRONMENT (COUNCILLOR BOB DERBYSHIRE) AND  
CORPORATE SERVICES & PERFORMANCE  
(COUNCILLOR GRAHAM HINCHEY)**

**Reason for this Report**

1. To update Cabinet on the outcomes of the Full Business Case analysis undertaken on the Wholly Owned Company and Modified In-House Alternative Delivery Models for infrastructure services, in accordance with the Outline Business Case that was approved by Cabinet on 16 July 2015.
2. To seek Cabinet approval of the next steps required to deliver improved outcomes for communities in the context of significant financial pressures.

**Background**

3. The Council's Corporate Plan 2016-18 includes the commitment to: *“ensure the new approach to the delivery of infrastructure services, including Waste, Cleansing, Parks, Highways, Design, Fleet and Facilities Management services, is operational by March 2017”*. The Council has commenced implementation of a programme of improvement for street cleansing, highways maintenance and parks services in the city, which seeks to deliver improved outcomes in line with the administration's vision for Cardiff to become Europe's most liveable capital city.
4. The Infrastructure Services ADM (Alternative Delivery Model) project has sought to identify ways to transform some of the Council's key frontline and support services, with the implementation of measures to improve service performance and deliver savings. Service delivery models have been evaluated with a view to delivering improvements that can serve as a catalyst for wider change across the Council. The results of this exercise form the basis of the Full Business Case (FBC), which is attached as Appendix A to this report.

5. This has been a positive process that has also resulted in the introduction of service improvements; for example, through moves to establish a new integrated approach to Neighbourhood Services and to increase traded income in certain services. There has been a considerable testing out of options, consideration of wider service changes, capacity building and learning across the Council.
6. The scope for improvement is significant. The implementation of a comprehensive package of reforms, targeted on tackling longstanding performance and productivity issues, inconsistent management, and poorly developed approaches to workforce development, will improve the ability of the Council to address vital community issues, including the quality and cleanliness of public spaces, in the face of significant financial pressures.
7. This report assesses the information presented in the FBC and identifies the way forward. It includes consideration of service improvement strategies that aim to enhance the quality of services delivered to residents, and seeks to balance the need to deliver savings through more commercial ways of working with the overriding need to achieve improvements in the performance of key community-facing services, such as street cleansing, highways maintenance and parks services.
8. The report proposes a concerted shift to an alternative model of service delivery that breaks down silos between services, integrates management, back office and front-line operations, and builds commercial capacity on the basis of council staff and resources remaining directly employed by the Council.

### **Infrastructure Services ADM Project**

9. The objectives of the Infrastructure Services ADM project are as follows:
  - improved outcomes to address current performance weaknesses;
  - improved customer satisfaction, demand management and reduced failure demand, to more effectively address the increasing demand for services;
  - reduction of operating costs;
  - optimisation of income generation to support core funded services; and
  - development of effective partnership and collaborative working, where appropriate.

10. The ADM project comprises 14 service areas as listed in Table 1 below:

Table 1: Services within Scope of the Project

Directorate	Service Area(s)
City Operations	<ul style="list-style-type: none"> <li>• Waste Collections (Commercial &amp; Residential)</li> <li>• Street Cleansing</li> <li>• Waste Treatment and Disposal</li> <li>• Waste Education and Enforcement</li> <li>• Pest Control</li> <li>• Parks Management and Development</li> <li>• Highways Operations</li> <li>• Highways Asset Management</li> <li>• Infrastructure Design and Construction Management</li> </ul>
Resources	<ul style="list-style-type: none"> <li>• Central Transport Services</li> <li>• Hard Facilities Management</li> <li>• Soft Facilities Management Cleaning</li> <li>• Soft Facilities Management Security and Building Management</li> </ul>
Economic Development	<ul style="list-style-type: none"> <li>• Projects, Design &amp; Development</li> </ul>

11. The cumulative gross and net expenditure budgets for these services for the 2016/17 financial period are approximately £71.2m and £26.1m respectively. The total Full Time Equivalents (FTEs) employed by these services is approximately 1255.

### **Previous Cabinet Decisions**

12. On 15 May 2014, Cabinet considered a report of the Chief Executive entitled '*Establishing a Programme of Organisational Change for the City of Cardiff Council*'. The report set out a number of critical challenges facing the Council and the need to move rapidly to new models of service delivery that would enable the effective management of demand with significantly reduced resources. One of the priority areas of work outlined in the report concerned proposed alternative delivery arrangements for infrastructure services. Cabinet authorised the Chief Executive, in consultation with the Leader and the Cabinet Member with responsibility for Corporate Services & Performance, to report further to the Cabinet and, where appropriate the Council, on the medium and longer term service delivery options arising from the Organisational Development Programme.

13. On 20 November 2014, Cabinet was provided with an update on the Infrastructure Services ADM Project and approved further analysis of five alternative delivery models with the intention of identifying a preferred future service delivery model(s) for the services within scope.
14. On 16 July 2015, Cabinet considered an Outline Business Case (OBC) that concluded that the most appropriate future delivery model for the services in scope was a Wholly Owned Company (with Teckal exemption). Cabinet agreed that a Full Business Case analysis be completed for the Teckal Exempt Wholly Owned Company (WOC) and Modified In-house models, with the findings to be reported back to Cabinet in 2016.
15. The resulting work has been subject of an independent review and challenge by Local Partnerships, a specialist company appointed to undertake similar work on the OBC analysis because of its unique public sector status as a result of being jointly owned by the Local Government Association and HM Treasury.

## Scrutiny

16. Since commencement of this project, the Infrastructure Services ADM Project Team has engaged, as required, with relevant Scrutiny Committees at appropriate times. Details of previous consultation with Scrutiny Committees during the OBC stage were outlined in the report that was considered by Cabinet on 16 July 2015.
17. On 1 December 2015, the Policy Review and Performance Scrutiny Committee considered a report entitled '*Alternative Delivery Model – Infrastructure Services. Building a successful local authority company – Governance Options*'. The purpose of this report was to present to, and seek feedback from, the Scrutiny Committee about types of company and associated governance options that could be adopted in the context of a Wholly Owned Company. The letter from the Chair of the Policy Review and Performance Scrutiny Committee dated 8 December 2015 and the response letter from the Cabinet Member for Environment dated 13 January 2016 are included as Appendices B(i) and B(ii) respectively to this report.
18. On 15 March 2016, a meeting of the Environmental Scrutiny Committee was held to consider the draft future strategies for the services within scope of the project. Members of the Policy Review and Performance Scrutiny Committee were also invited to join this meeting. The letter from the Chair of the Committee dated 11 April 2016 and the response letter from the Cabinet Member for Environment dated 19 May 2016 are included as Appendices B(iii) and B(iv) respectively to this report.
19. A joint meeting of the Environmental and Policy Review and Performance Scrutiny Committees was held on 6 June 2016 to undertake pre-decision scrutiny of the draft report to be considered by Cabinet on 16 June 2016 and to review the Full Business Case. The letter from the Chair of the Committee dated 7 June 2016 and the response letter from the Cabinet Member for Environment dated 10 June

2016 are included as Appendices B (v) and B(vi) respectively to this report.

### **Full Business Case Methodology and Analysis**

20. The template used for the OBC has also been used as the basis for the Full Business Case (FBC). This reflects the Office of Government Commerce (OGC) "Five Case Model", which is the best practice standard recommended by HM Treasury for use by public sector bodies when evaluating public sector proposals.
21. The FBC focuses on the development of 5-year service strategies for each service area in scope, as well as an overarching strategy for the services as a whole, and then considers the impact of the two alternative delivery models.

### Overarching Service Strategy

22. The overarching strategy for all the services in scope can be summarised as follows:
  - To create appropriate service changes to maximise existing synergies and future opportunities;
  - To increase operational efficiency and service resilience;
  - To progress and improve the commercialisation of services through a better understanding of costs in relation to performance and resource capacity, and the provision of a clear pricing strategy for customers;
  - To develop an organisational brand;
  - To build capacity in the areas of social value and workforce development;
  - To collaborate where practicable with neighbouring authorities and public sector partners more broadly;
  - To continue with ongoing employee initiatives:
    - Improving the level of attendance;
    - Reducing the high reliance upon agency workers and overtime in some services;
    - Improving workforce planning; and
    - Working within the corporate framework to further increase social value offered by the Council's employment opportunities, growing the number of apprenticeships, and positively supporting the ability of vulnerable groups to access work.
  - To improve accountability for service delivery and customer satisfaction with council services.

### Service Clusters and Opportunities

23. A key theme of the ADM evaluation is the inconsistency of current management approaches to the delivery of related or inter-dependent services. The result is fragmentation with a limited evidence of attempts to build synergies between similar services. The FBC clusters services to

capitalise on opportunities for service improvement and income generation:

- **Recycling Waste Management Services:** comprising Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal. This reflects the substantial opportunities to grow the business of the Cardiff Commercial Waste Service, including materials recycling, transfer loading collaborations and trade opportunities, and for domestic and commercial services to continue to support each other's service delivery and resource efficiency.
- **Total Facilities Management:** including Hard Facilities Management (Building Management and Maintenance Services), Soft Facilities Management (Cleaning, Building Support and Security Services) and Pest Control. The clustering of these services provides the opportunity to create a Total Facilities Management business model with the ability to offer a menu of integrated services to both existing and future clients.
- **Fleet Services:** focusing on the Central Transport Service. Following a two-year restructuring programme, there is the opportunity to realise substantial financial benefits using available workshop capacity, improved fleet management technology and by supporting internal service users to improve fleet efficiency.
- **Neighbourhood Services:** comprising Street Cleansing, Parks Management, Parks Development and Sport, and Education/Enforcement. The implementation of the Neighbourhood services is an ongoing project with notable service delivery improvement and resource efficiencies achieved to date. Further improvements and operational efficiencies will be achieved through the continued rollout of the project across the city.
- **Highways:** comprising Highways Operations, Highways Asset Management, and Highways Engineering. The continuation of highway services in a single business unit will help build on existing process efficiencies and develop a 'One Council' approach to highways asset management and maintenance across all council and public assets.
- **Design Services:** comprising Highways Design and Delivery, and Landscape Design. Alignment of the two design functions provides the opportunity to increase capacity and achieve operational efficiencies, particularly in respect of increasing the amount of work secured by the teams. Opportunities also exist to present a design services offer, particularly to other local authorities, with Projects, Design & Development (PD&D) providing additional in-house expertise in the area of project management and construction.

24. The position facing these services is variable. Some are able to trade immediately while others have the potential to become more commercial, but require intensive support to increase their capacity to generate income. In relation to community-facing services like street cleansing, the

key issue relates more to the need to increase productivity and efficiency, and to bring about wider cultural change.

### Collaboration

25. Collaboration opportunities with neighbouring local authorities exist for all services in scope. The creation of a platform for collaboration will enable the Council to choose whether to engage with other local authorities on a partnership or trading basis. The broader the scope of services, the larger the potential offer to other councils. But the complexity and risks of such wide ranging, multi-service collaborations are clear. More relevant to the Council in the short term are opportunities to explore relatively focused collaboration initiatives where there is an immediate potential to realise savings.
26. Collaboration is more likely to happen following the establishment of a suitable partnership model. In this respect, the right environment needs to be created in which other councils will want to engage and work with Cardiff. Opportunities for potential collaboration are listed in section 2.4.2.7 of the FBC. However, it needs to be recognised that collaborative models take time to establish. With this in mind, collaboration benefits in the FBC are profiled later in the 5-year business case period.

### Commercialisation and Trading Function

27. Commercialisation is critical in terms of understanding costs, controls and income and aligning these to the delivery outcomes of the Council's service requirements. An important aspect of this agenda is trading. The ability and readiness to trade is different across services with variances in their ability to trade externally and, in certain cases, internally. Each service strategy has considered trading opportunities in respect of developing existing streams and potential new markets over a 5-year period.
28. Trading, other than growing existing trading streams, is not the short term priority for many of the services given that operational change and retention of third party spend is within the control of the Council and hence the most secure route to achieving budget reductions. However, it is critical that all services in scope of the project to date become 'fit for purpose' to provide both sustainable and efficient services in the long term and grow their ability to trade. To do this, the Council will need to:
  - complete a thorough review of budgets for the services in scope which ensures they are in alignment with future strategies to include clear income and cost analysis;
  - ensure that branding is created that optimises dual brand of being public sector and commercial;
  - develop a marketing strategy and website aligned with branding and business development strategy;
  - map out common customers across services both internal and external;
  - develop a business development plan for each service and across the services in scope with differentiation between immediate

opportunities and a longer-term strategy once services are fit to trade. A clearer understanding of target markets, sectors and customers' needs to be developed as well as sources of trading opportunities.

- establish a pricing strategy which has clear commercial principles and ensures competitive pricing without subsidising the customer, ensuring that the Council demonstrates compliance with the State Aid principles and legislation;
- increase the Council's commercial capacity;
- consider the extent to which the Council should utilise the services in scope rather than promoting third party spend as long as value for money can be demonstrated and the specific services in scope are given sufficient time to become competitive.

### Other Common Cross Cutting Opportunities

29. There are a range of other benefits and opportunities that will develop in line with the proposed changes:

- **Increasing Attendance:** Whilst sickness absence levels in some services are above the Association for Public Service Excellence (APSE) benchmark and best practice, the Council has been working on reducing these levels. The analysis of current sickness levels shows the potential to reduce sickness further.
- **Service Integration Savings:** There will be opportunities to secure efficiencies through the consolidation of management and back office services through the integration of services in the new delivery model.
- **Procurement:** The procurement work stream identified a number of improvement opportunities across the Infrastructure Services supply chains with the largest being in respect of Fleet and Building Services frameworks as they come up for renewal and in their operational application. Opportunities for efficiencies through the Agency Management framework are also being followed up.
- **Better Use of Technology:** There are major opportunities to improve operational efficiencies through the better use of industry wide technology. Examples include the use of mobile working technology, scheduling and rostering software and fleet management systems. The adoption and use of technologies are essential enablers to operational changes required to assure the financial benefits.

### **Financial Analysis**

30. Full details of the financial analysis undertaken are provided in the FBC Financial Case section and, in particular, Appendix 3 of the FBC document.



31. Each service area in scope had the responsibility of owning their 5-year service area strategy and were supported and moderated in its production by project team resources. Contained within the service strategies is the need to invest in technologies such as mobile working and scheduling, which would allow the greater level of cost savings to be achieved.
32. The cost savings set out both in the Appendix of the FBC document and the summary tables set out below do not include accepted budget savings for 2016/17 which amount to £5.2 million. The analysis below highlights an additional net saving of £4.8 million over five years, but with a need for investment in the first year before net savings are delivered.
33. This need for investment is the result of services within scope identifying any enablers or investments, including any dependency on other council service areas required in order to secure these benefits.
34. The themes of enabling investments were common to a number of these service strategies, for example the application benefits of mobile working and scheduling, and these costs have been aggregated (£1.282 million) and shown in the tables below. Costs that are specific to a particular service have been taken off the relevant benefit. Table 1 below shows projected benefits over the four categories of benefits – i.e. Operational; Insourcing (external spend); Collaboration, or Trading for income. The benefits identified and provided in Table 1 were categorised on the basis that they are deliverable by any model of delivery chosen. Where a net benefit (£2.546 million) was identified as being delivered only by the WOC model then this has been identified (£3.33 million) along with costs (£0.787 million) at the bottom of the table.
35. The primary source of additional benefits identified through the WOC is collaboration (£2.655 million) which contains a higher level of risk and uncertainty.

**Table 1: Summary of Financial Model - Benefit Category by Service Cluster**

AREA	BENEFIT CATEGORY				
	Operational	Insourcing	Collaboration	Trading	Total
	£000s	£000s	£000s	£000s	£000s
<b>MODEL NEUTRAL</b>					
BENEFITS					
Recycling Waste Services	-867		-50	-689	-1,606
Neighbourhood Services	-350			-206	-556
Fleet Services	-1,020	-140		-330	-1,490
Total Facilities Management	-20	-1,000		-255	-1,275
Consultancy Design		-315		-30	-345

Highways	-301	-476			-777
BENEFITS	-2,558	-1,931	-50	-1,510	-6,049
COSTS					
One-off "Investment"					1,035
Recurring					247
COSTS					1,282
NET BENEFITS					-4,767
<b>WOC</b>					
ADDITIONAL BENEFITS	-371		-2,655	-307	-3,333
ADDITIONAL COSTS					787
<b>WOC ADDITIONAL NET BENEFITS</b>					<b>-2,546</b>

36. Three areas of the FBC are identified as the main sources of delivery of savings. These are Recycling Waste Management Services, Fleet Services and Total Facilities Management, which are the most influential in terms of the delivery of the benefits, account for 72% of the Projected Benefits. In terms of the Benefit Categories, Table 1 above highlights that Operational Efficiencies and Insourcing are the most significant categories for the delivery of the projected Benefits. This would support an immediate focus on those service clusters, as well as the concentration on reshaping services utilising the Enterprise Architecture and Commercialisation investments to maximise the delivery of these operational and insourcing benefits.
37. To complement the Benefit Category analysis presented in Table 1 above, an alternative presentation of the financial analysis that brings together the costs and benefits over the 5-year time horizon considered, is provided in Table 2 below. This highlights the point that there is a net cost in Year 1 before the pace of benefit realisation picks-up culminating in the Model Neutral projected net benefit of £4.8m over the 5-year period.

Table 2: Summary of Financial Model Profiled by Financial Year

	Yr. 1 (16/17)	Yr. 2 (17/18)	Yr. 3 (18/19)	Yr. 4 (19/20)	Yr. 5 (20/21)	TOTAL
	£000s	£000s	£000s	£000s	£000s	£000s
Recycling Waste Services	3	-266	-752	-363	-228	-1,606
Neighbourhood Services		-74	-174	-179	-129	-556
Fleet Services	-25	-440	-345	-350	-330	-1,490
Total Facilities Management	-24	-486	-531	-138	-96	-1,275
Consultancy Design		-5	-120	-110	-110	-345
Highways	-25	-351	-401			-777
<b>BENEFITS</b>	<b>-71</b>	<b>-1,622</b>	<b>-2,323</b>	<b>-1,140</b>	<b>-893</b>	<b>-6,049</b>
<b>COSTS</b>						
One-off "Investment"	562	473				1035
Recurring	85	148	15	0	0	247
<b>COSTS</b>	<b>646</b>	<b>621</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,282</b>
<b>NET 'MODEL NEUTRAL' BENEFITS</b>	<b>575</b>	<b>-1,001</b>	<b>-2,308</b>	<b>-1,140</b>	<b>-893</b>	<b>-4,767</b>
<b>WOC</b>						
ADDITIONAL BENEFITS	72	7	-1,155	-1,103	-1,155	-3,333
ADDITIONAL COSTS	413	365	10			787
<b>WOC ADDITIONAL NET BENEFITS</b>	<b>485</b>	<b>372</b>	<b>-1,145</b>	<b>-1,103</b>	<b>-1,155</b>	<b>-2,546</b>

38. The upfront Year 1 "investment requirements" to enable the early delivery of the projected operational and insourcing benefits are set out in the following paragraphs and include the need for Capital Expenditure (£352,000) to spend on a Fleet Management IT system, IT Licences, hardware and software to enable the introduction of mobile working, scheduling, etc
39. Set-up costs (£210,000) include the costs of acquiring appropriate commercial expertise to develop commercialisation capacity and culture within the Council, as well as branding and marketing. This will be through the use of external expertise to transfer commercial understanding and knowledge to the Council. This need has been

recognised since the OBC was agreed and provided to inform the FBC. During the development of the FBC, it has become clear that bespoke packages of work will continue to be needed to support any commercial and improvement programme. The funding can be supported through the Organisational Development Programme revenue budget.

40. There are recurring costs of £85,000 which primarily identify training costs, as well as investment in enterprise architecture licenses. In addition, there will be further upfront investment in developing and upskilling staff through directly accessing corporate training budgets available. This will deliver the creation of more trade apprenticeships, into-work trainees and other formal and informal training for basic skills development and job shadowing. These initiatives will collectively help drive further productivity savings and income in the medium and longer term.
41. The purchase and implementation costs for a Fleet Management IT system is anticipated to cost £150,000, which will be funded from an earmarked reserve. The ICT costs in respect of mobile and scheduling technology will proceed on the basis that the cost of investment will be recovered over a period of years from cashable savings delivered.
42. The financial model, by virtue of its looking forward status, is built on a number of projections and assumptions. Financially, the key risk is that cost projections will be exceeded and income level expectations will not be reached. In this context, large scale collaboration, although offering a significant financial prize, does present a higher risk of being able to realise these benefits early in the programme. It will rely on formal inter-organisational relationships to be established that would require political and operational, as well as commercial, agreements. The delivery of benefits through high levels of additional trading income also presents realisation challenges to ensure that services are enabled and are in a position to win external work in a competitive market place.

### **Implementation Resources**

43. The implementation of the proposals detailed in this report will require the allocation of appropriate resources to ensure the work is progressed in a focused and timely manner. This will continue to require the commitment of organisational development, human resources, financial services and ICT resources. Workforce development will help support the shift towards the new model. The FBC is predicated on the procurement of external support to further build commercial capacity.
44. Appropriate organisational development and training budgets will be deployed to support the change with specific proposals (such as the implementation of the new enterprise architecture proposals and commercial website detailed in the FBC), subject to the approval of invest-to-save business cases.

## **Proposed Delivery Model**

45. The development of the business case has helped to define and instigate an agenda for change, while raising awareness of commercial opportunities across the organisation. It has challenged existing in-house services to improve and engaged services on how these improvements could be made, including new ways of working for income. There has been a growing understanding of the need to do things differently and embrace commercial thinking, which will help generate better understanding of cost control and additional revenue, while leveraging investment in council assets more effectively to support traded income.
46. Although the financial assessment set out in this report indicates that a Wholly Owned Company (WOC) could provide the Council with greater benefits over the full 5-year period, those additional benefits are mainly achievable in Years 3-5. The delivery of savings and additional income for 2016/17 and 2017/18 must remain the key priority. In addition, the establishment of a company governance structure, financial, ICT and operating arrangements will bear heavily on resources in that critical period, which puts at risk the delivery of the frontline changes needed to secure immediate savings. Relevant proposals outlined in service improvement strategies need to be actioned with the key enablers identified and facilitated corporately in order to avoid delays.
47. The FBC also shows that there is a significant variance of readiness in services to trade, with cost base analysis, ICT, staff training and marketing strategies in some inadequately developed. It identifies and details areas requiring improvements to productivity, insufficient technology, ineffective working and management practices that will all need to be prioritised and addressed in order to deliver the strategic benefits identified. All of these services need to improve cost control, optimise existing and new income streams and minimise external spend i.e. deliver net financial benefits and savings within 2016/17 and 2017/18.
48. The debate therefore between in-house and WOC is less significant than the implementation of an appropriate and consistent approach to improvement. Most important is the delivery of a concerted change programme that drives increases in net income and productivity of all services to improve visibly the effectiveness of key front-line services. Common requirements for success in either model are consistent management approaches to change, operational autonomy, the building of capacity and, where relevant, the development of commercial skills.
49. An alternative approach involves realigning in-scope infrastructure services, on an in-house basis, as a matter of priority into two complementary programmes of change as follows:

### **i Developing Cardiff's Commercial Services**

- The FBC analysis has highlighted the need to build commercial understanding and capacity within the Council. This will require the embedding of a new commercial culture and mindset to ensure that managers and all employees have

a thorough understanding of detailed service costs, with an appropriate pricing strategy put in place to facilitate targeted growth in income.

- Additionally, in respect of those services where the potential to grow income is greater (as identified in the service strategies), it is important that a consistent management approach is developed to address fundamental issues around cost and supplier spend control, pricing, branding, marketing and performance. Important questions have also been raised about whether the Council is striking the right balance between services that are delivered by contractors and those that are delivered in-house.
- It is proposed that Cardiff Commercial Services should consist of:
  - Recycling Waste Management Services: Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal (recycling facilities, transfer stations and HWRC, depots);
  - Fleet Services: Central Transport Service and Fleet Management;
  - Total Facilities Management: Hard Facilities Management (Building Maintenance), Soft Facilities Management (Cleaning, Security and Building Management) and Pest Control; and
  - Projects, Design & Development (PD&D).
- In effect, this will bring together services that are partially commercialised, or else have strong commercial or collaborative potential. It is proposed that a single management structure should be created, based in the economic development directorate, to ensure consistency of approach, drawing on the commercial capacity and expertise that already exists in the wider directorate, and links with services such as strategic estates. An outline implementation timeline is set out in paragraph 65 of this report.

## **ii Transforming Neighbourhood Services**

- A Neighbourhood Services approach has been adopted by many local authorities in the UK (e.g Nottingham, Leicestershire, Durham) in terms of the management of the 'streetscene'. Council representatives have visited Wakefield Council where this model operates successfully by managing, in a coordinated way, all relevant services to improve outcomes for communities.

- In Cardiff, the approach has focused over the last twelve months on a pilot scheme in the west of the city involving street cleansing, parks and highways, and steps have been taken since January 2016 to roll out this approach across the city. Examples of improved performance and outcomes for communities include the percentage of highways inspected of a high or acceptable standard of cleanliness (STS/005 (b)), which has increased from 86.79% in 2014/15 to 90.64% in 2015/16. In addition, the percentage of reported fly tipping incidents cleared within 5 working days (STS/006) has increased from 82.61% in 2014/15 to 97.91% in 2015/16. This highlights the need to reinforce ongoing operational changes and to accelerate integration of service delivery, particularly in relation to Highway Operations, Parks Services, Street Cleansing and all environmental enforcement services.
- To date, work has focused upon front line operations. However, there is now a need to concentrate resources and effort on the integration of management, back office and support services, bringing about much greater levels of operational collaboration across the city, improving further outcomes in areas like street cleanliness, pothole repair, and delivering savings outlined in 2016/17 budget.
- Implementation of the changes proposed in the service strategies will require a concerted drive to strengthen performance management arrangements; equip staff with the skills needed to work in multi-disciplinary teams; break down traditional silos between operational teams; the roll out of technology to facilitate the allocation of tasks; and much more effective analysis of data to ensure that resources are geared towards meeting customer demands.
- The Council's approved budget for 2016/17 included additional revenue for street cleansing, which is being used to fund two additional afternoon street cleansing teams and additional street washing resources in the city centre. In addition, a capital sum of £65,000 was made available for the purchase of a new street washing machine.
- The budget also included an additional sum of £100,000, which is being used to fund an additional Enforcement Team that will focus on Local Environmental Quality offences. This funding is only available in 2016/17 as it is envisaged that the team will become self-funding from income collected through the issuing of Fixed Penalty Notices for Local Environmental Quality offences.
- It is proposed that the further transformation of Neighbourhood Services should continue to be led by the City Operations directorate, developing the service changes that have already taken place in 2015/16. A Visible Services Working Group will

also be established to provide oversight by relevant Cabinet Members and senior managers of improved performance within Visible/Neighbourhood Services and to ensure that additional funding provided as part of the 2016/17 budget is used and tracked effectively.

## **A 'One Council' Approach**

50. At the heart of this approach would be intensive, high impact service improvement interventions to be overseen by a proposed Commercialisation & Accelerated Improvement Board comprising relevant Directors and external representatives, as appropriate, which would have a mandate to drive commercialisation and productivity across the Council as a whole. The workstreams of the Board would be integral components of the Council's wider Organisational Development Programme. Officers would report to the Board and be responsible for the implementation of relevant service improvement plans. Where relevant, a commercial brand and business development and marketing plans will be established and applied to services.
51. The Chair of the Board will work closely with relevant Cabinet Members and significant matters will need to be reported to Cabinet, as appropriate, and within the existing scheme of delegations for council decision-making. An annual business plan will be considered by Cabinet to outline the annual work programme and it is proposed that a robust independent review will be undertaken on an annual basis to evaluate progress towards achieving council objectives. Large commercial collaborations and contracts, and performance and risk management reporting, will all be considered by Cabinet to ensure effective political oversight of the Council's commercial initiatives.
52. Focused improvement and change management initiatives, defined by clear performance targets with closely monitored outcomes, would be undertaken and reported to the Board as appropriate. In addition, workstreams would be agreed to embed commercial practices across the defined services. A high level of staff engagement would need to underpin this approach.
53. The Board will also ensure appropriate oversight and support is given at a strategic level to all defined commercial projects in the Council, for example, the development of the Alarm Response Centre (ARC) project, commercial catering and bereavement services.

## **Key Enablers**

54. The FBC identified the 'key enablers' required for successful implementation. A number of these cut across the organisation and need to be progressed promptly by relevant Directors to deliver improved financial and service delivery outcomes. These include:
  - implementation of a Fleet Management IT package for the Central Transport Service;



- implementation of a new enterprise architecture including rostering, scheduling and mobile working technology to facilitate operational efficiencies and improve customer services;
- development of a commercial brand together with a commercial website;
- completion of a review of the Fleet and Building Services Frameworks;
- strong support for the introduction of apprenticeships and developing links with the NEETs agenda;
- adoption of a 'One Council' approach to asset management, investment, development and maintenance in respect of the Council's infrastructure assets;
- a comprehensive review of the budgets of all the services in scope to develop a thorough understanding of the essential expenditure and income for control of budgets to support the future delivery model;
- on-going effective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies;
- support to explore collaboration opportunities with other council's and public bodies; and
- appropriate internal and external resources to support the programme.

## **Stakeholder Engagement**

55. The views of various stakeholders, including trade unions, staff and Cardiff residents, have informed the evaluation of models. More broadly, staff have been consulted throughout the FBC stage of the project, with ambassador meetings, roadshows, mail boxes and email contact points helping to promote staff engagement with the process. A compilation of questions asked by staff in scope can be found in Appendix C to this report.
56. Members were also invited to briefings on the Full Business Case and the proposals identified in this report in advance of consideration of this report by Cabinet.

## **Trade Unions**

57. Consultation with trade unions commenced at the end of May 2014 through the Trade Union Budget Forum. Discussions with trade unions have taken place on a regular basis with project leads and the Cabinet Member for Environment, during which the trade unions have raised a number of specific matters as part of the ADM process. In summary, the trade unions:
- expressed concerns about whether in-house and wholly owned company models had been supported by equivalent levels of resources during the evaluation process;
  - agree that an improved in house model can work as well as a wholly owned company to improve job security, growth and quality of jobs;

- believe that staff are prepared to make the necessary changes to deliver this programme of improvement;
  - highlighted the need to remove managerial silos between different services; and
  - stressed the importance of the need to improve communications and engagement with front-line staff.
58. A positive approach has been taken to address these issues with teams or individuals and positive dialogue moved matters forward through specific engagement sessions. Looking forward to the proposed new arrangements, the trade unions have emphasised the need to:
- ensure strong governance with clear lines of accountability to accelerate the speed of change;
  - provide a positive vote of confidence in staff, promoting a 'grow your own' approach to staff development throughout the organisation;
  - fully exploit all opportunities to support young people into training and work-placed development opportunities;
  - properly resource any change programme with corporate and service teams working together to deliver essential enablers;
  - support the change to a commercial mind set;
  - strengthen workforce planning;
  - ensure that appropriate supplier frameworks and controls are in place to support the Council to keep costs down and improve compliance;
  - improve communications and engagement with frontline and middle management teams;
  - market effectively council services to help grow income and employment opportunities.
59. The recognition by the trade unions of the case for change has resulted in a better, shared understanding of the challenges facing the Council and a commitment by both sides to work in partnership in order to achieve any future changes required. This approach is captured in a proposed Service Improvement Agenda (Infrastructure Services) – Memorandum of Understanding, which is attached as Appendix D to this report. This sets out the commitments of the Council and trade unions towards working collaboratively to address the service improvements required to achieve the programme of reform outlined in this report.

### **Building Capacity and Workforce Development**

60. In the implementation of any agreed future changes, it will be essential that teams and individuals are supported by a structured approach to further workforce planning in order to support the needs and the current profile identified in most services. The priority will be to identify skills gaps, from basic skills training and apprentices to technical graduates, and to then build the opportunities identified within those services in scope to create new jobs through operational changes.

61. Training provision and investment in basic skills development, digitisation, and trainee and apprenticeship schemes will utilise corporate budgets allocated for these purposes, as well as external funding sources from third party providers. The Council will also make use of any other public funding, such as proceeds from the workplace levy, as it becomes available in line with the corporate workforce strategy.
62. There is a substantial opportunity to create social value in order to offer further employment opportunities as follows:
- apprenticeships and traineeships, including graduate training;
  - work placements and experience;
  - opportunities for vulnerable groups; and
  - work with the Probation Service.
63. As part of this approach, further investment funds need to be set aside for workforce skills development assessments, training plans and career development to support existing and new staff to meet service needs. This would be in addition to core health & safety and other legal compliance training requirements. While this need is recognised and is being actioned as part of the Council's Workforce Strategy, specific opportunities are presented across Infrastructure Services.
64. Further development in terms of commercial skills and expertise will also need to be undertaken and invested in throughout the teams. This would, in part, be met by the continued transference of skills from external support such as that provided by Peopletoo during the FBC stage.

## Timeline

65. A more detailed implementation plan for each of the two change programmes is attached to the FBC. Service Improvement Plans will be provided to demonstrate the detailed change programme, outcomes and performance measures. The Year 1 headline timeline is provided below:

Date	Timeline
June 2016	Cabinet approval of the Full Business Case
	Services move into Cardiff Commercial Services
	Establishment of the Commercialisation and Accelerated Improvement Board (C&AI Board)
July 2016	C&AI Board approval of Service Improvement Plans for Cardiff Commercial Services and Neighbourhood Services
July 2016	Agree performance measures for both workstreams

September 2016	Start commissioning of an Fleet Management IT system
September 2016 – January 2017	Prepare and approve 2017-2021 Business Plans for services in scope of Cardiff Commercial Services
March 2017	Complete commissioning of relevant enterprise architecture by 31 <sup>st</sup> March 2017
	Implementation of the approved business plans for commercial services in 2017/18
July – September 2017	C&AI Board to engage independent review of performance

66. Ongoing engagement with key stakeholders will continue throughout to ensure delivery and to generate a stronger performance lead approach.

### **Risk Management**

67. A fully detailed risk register was prepared by the Project Team at the outset of the project and this has been reviewed on a regular basis as the project has commenced. Full details of these risks can be found on the Council's Programme and Project Database. The key risks in relation to the implementation of the service strategies and the commercial programme are included in the FBC.

### **Proposed Next Steps**

68. It is important that the proposals outlined in this report are progressed as an immediate priority. The following steps need to be taken immediately following the approval of this report:
- implementation of the required organisational and management changes to realign the relevant services to support the development of Cardiff Commercial Services.
  - establishment of the Commercialisation & Accelerated Improvement Board consisting of the Chief Executive and relevant Directors, with input from appropriate external representative to drive the implementation of service strategies, which would report to Cabinet as appropriate;
  - implementation of the Neighbourhood Services approach on a fully integrated, city-wide basis in line with a redefined service strategy to assure 2016/17 and 2017/18 savings plans and proposals.
69. An outline implementation timeline is set out above in paragraph 65 of the report.

## **Future Scrutiny**

70. In the letter dated 7<sup>th</sup> June 2016 the Chair of Scrutiny requested, on behalf of the committee, that future scrutiny committees should consider the key elements of the Modified In House approach, in particular they look forward to:
- a. Being updated on Modified In House developments on a regular basis through the quarterly performance monitoring process;
  - b. Having the opportunity to review copies of the draft business plans prior to these being approved by the Commercialisation & Accelerated Improvement Board and / or Cabinet
  - c. Receiving regular updates on the commissioning and procurement of the fleet management software and other ICT projects being developed with Enterprise Architecture;
  - d. Having the opportunity to review the draft performance indicators prior to these being approved by the Commercialisation & Accelerated Improvement Board and / or Cabinet.

## **Future Communications Strategy and Plan**

71. It is essential that a high level of stakeholder engagement is retained as the project progresses and that the communications for the project will support all stakeholders. A variety of channels (i.e. enhanced social networking methods as well as ensuring strong verbal and written communications) will be used to communicate to all identified stakeholders and to continue to support the project through various phases.

## **Reason for Recommendations**

72. To enable the most appropriate service delivery model for the services in scope to be determined and implemented with immediate effect to deliver service improvements and secure the 2016/17 and medium term savings.

## **Legal Implications**

73. Legal advice has been provided by Bevan Brittan LLP in conjunction with the Council's Governance and Legal Services Team.
74. The key legal issues which have been addressed in considering the Wholly Owned Company and Modified In-House Alternative Delivery Models for infrastructure services are:-
- The Council's vires/powers to set up companies;
  - The governance issues to be considered in operating a company including the board structure, conflicts of interest, reserved matters etc;

- Procurement advice on how contracts could legitimately be awarded to a wholly owned company (provided the required "Teckal" tests were satisfied) and the capacity to trade based on a Teckal model;
  - The Council's vires/powers to trade commercially with other customers and how this differs depending on whether the services are provided through a Wholly Owned Company or direct by the Council (the overall conclusion being that there is considerable scope for the Council to extend its commercial activities without the need for a company structure);
  - Which statutory functions would have to be retained by the Council (and could not be delegated) if a Wholly Owned Company was set up; and
  - The employment law and pensions implications of setting up a Wholly Owned Company.
75. Legal advice has been provided at appropriate stages of the project, including detailed legal commentary into the report to the Policy Review and Performance Scrutiny Committee on 1 December 2015. The legal issues highlighted in the FBC have also been reviewed.
76. The report recommends an in-house programme of service improvement with a focus on commercialisation as the preferred route forward. As detailed in the legal advice provided, there is considerable scope for the Council to provide services on a commercial basis to certain markets – but the nature of the commercial operations, including specifically the identity of customers, will need to be kept under review as the Council develops this approach to ensure continued legal compliance.

### **Financial Implications**

77. The Financial Analysis looks forward over the next 5 financial years to cover the period 2016/17 to 2020/21, although the benefits identified for 2016/17 are in addition to those in the approved 2016/17 budget reductions for those services in scope. The Financial Analysis is based on a number of projections, including the benefits from the individual Service Strategies and these benefits are underpinned by a number of underlying assumptions. The projections will require close review and monitoring going forward to ensure any deviation from the expected path to deliver benefits is quickly identified and appropriate mitigating measures can be introduced to minimize the financial consequences of these benefit realisation risks. Where the Service Strategies proposals subsequently form part of future Budget reduction and/or MTFP proposals it will be important to ensure that these proposals are at the appropriate level of robustness and deliverability risks in particular are identified and understood.
78. A range of benefits have been included in the individual Service Strategies which are dependent on the introduction of “enablers” in order to allow these benefits to be realised. The cost for these “Invest to Save” investments has been highlighted in paragraphs 38-41 of the report and, in particular, within Appendix 3 of the FBC. In order to maximise the financial benefits over the 5-year period then an upfront investment

funding requirement will be needed. The approved 2016/17 ADM savings are targets that do not take into account the cost of these investment requirements. The use of reserves to fund this expenditure will result in a reduction in the Council's flexibility to respond to future financial pressures.

79. The role of the Enterprise Architecture (EA) team as a "Key Enabler" to increase productivity and deliver benefits by embedding technology and improving processes has been emphasised in this report. The external costs of acquiring and implementing this technology, including a Fleet Management IT solution, has been estimated at £500,000 over two years with recurring costs associated with this technology projected to reach £122,000 per annum. These external costs have been included in the financial analysis, but the capacity of the EA team to complete this activity needs to be considered. Although the employee costs of this team are included in the Council's budget, the prioritisation of the Infrastructure ADM activity will incur "Opportunity costs", which will divert resources away from other Council priority programmes. This could have a significant financial implication where these other programmes are anticipated to deliver significant budget reductions such as the digitalisation programme. This may result in either the delivery of these savings being delayed or additional expenditure on external resources being engaged to replace the displaced EA resource. The Council will need to consider how it prioritises the use of EA resources.
80. There are a number of areas where intensive, high impact service improvement interventions to drive commercialisation and productivity are proposed. The cost of acquiring appropriate external transitional commercial expertise to develop commercial skills and knowledge within the Council of £250,000 to be incurred in 2016/17 and 2017/18 has been identified. The issues associated with the funding of this expenditure from reserves have been highlighted previously in the financial implications.
81. The choice of delivery vehicle will be a significant decision for the Council, both in terms of the extent of Council services covered and quantum of budget reductions required, both for 2016/17 and future years. Any non-delivery or significant delays in the realisation of projected benefits will put further pressure on the overall financial position for the Council.
82. Where service strategy proposals have identified opportunities to reduce capital expenditure, then the financial benefit will show itself through a more affordable Capital Programme.
83. The report recommends an in-house programme of service improvement with a focus on commercialisation as the preferred route forward. If, subsequently, the provision of council services through delivery models that are external to the council are to be considered, then these decisions will need to be underpinned by a detailed business case. This case will need to consider in detail financial issues such as, but not limited to, taxation, employers pension contributions and working capital.

## **Human Resources Implications**

84. The recommendation of the report is for the services to remain in-house with significant work taking place to modernise those services in order to increase productivity and change working practices where it contributes to this agenda so that services work as efficiently as possible and are ready to achieve income targets where appropriate.
85. The Trade Unions and employees have been fully consulted throughout what is recognised as a long process. The consultation process with the Trade Unions has resulted in a better, shared understanding of the service improvements which will be required in order to make the services identified more efficient and be in a better position to achieve income into the Council in the future. There is a willingness and commitment from both sides to work in partnership in order to achieve the changes required. Appendix D to this report sets out the commitment of the Council and the Trade Unions in working collaboratively to address a programme of reform.
86. Consultation with both Trade Unions and employees will continue as set out in Appendix D to this report.
87. An Equality Impact Assessment of the proposals contained in this report has been completed and is attached as Appendix E to this report.
88. A Statutory Screening Tool has been completed and is attached at Appendix F to this report.
89. Any changes which take place will be actioned using corporately agreed processes and procedures already in place.

## **RECOMMENDATIONS**

Cabinet is recommended to:

1. note the content and conclusions of this report, including the Full Business Case which is set out in Appendix A to this report;
2. authorise the Chief Executive, in consultation with the Cabinet Members with responsibility for Environment and Corporate Services & Performance, to:
  - a. put in place appropriate governance arrangements and support to implement the service improvement strategies outlined in the Full Business Case, including the establishment of the Commercialisation & Accelerated Improvement Board to oversee the change and improvement process;
  - b. realign relevant services and budgets according to the proposed delivery model outlined in paragraphs 45 to 49 of this report; and



- c. allocate staff resources within the 2016/17 budgetary framework, including investment costs, to support the change programmes set out within this report.
3. approve the Service Improvement Agenda (Infrastructure Services) – Memorandum of Understanding between the Council and Trade Unions, as set out in Appendix D to this report.

## **PAUL ORDERS**

Chief Executive

10 June 2016

*The following appendices are attached:*

Appendix A: Infrastructure Services Alternative Delivery Models – Full Business Case

- Appendix B:
- i) Letter dated 8<sup>th</sup> December 2015 from Chair of Policy Review and Performance Scrutiny Committee.
  - ii) Response letter from Cabinet Member for Environment to the Chair of Policy Review and Performance Scrutiny Committee dated 13<sup>th</sup> January 2016.
  - iii) Letter dated 11<sup>th</sup> April 2016 from Chair of Environmental Scrutiny Committee.
  - iv) Response letter from Cabinet Member for Environment to the Chair of Environmental Scrutiny Committee dated 20<sup>th</sup> May 2016.
  - v) Letter dated 7 June 2016 from Chair of Policy Review and Performance Scrutiny Committee.
  - vi) Response letter from Cabinet Member for Environment to the Chair of Policy Review and Performance Scrutiny Committee dated 10 June 2016.

Appendix C: Questions raised by Staff in Scope

Appendix D: Service Improvement Agenda (Infrastructure Services) – Memorandum of Understanding

Appendix E: Equality Impact Assessment

Appendix F: Statutory Screening Tool

*The following Background Papers have been taken into account:*

Cabinet Report, 15 May 2014: Establishing a Programme of Organisational Change for the City of Cardiff Council

Cabinet Report, 20 November 2014: Infrastructure Services – Alternative Delivery Model

Cabinet Report, 16 July 2015: Infrastructure Services – Alternative Delivery Models

Policy Review and Performance Scrutiny Committee Report, 1 December 2015: Alternative Delivery Model – Infrastructure Services: Building a successful local authority company – Governance Options

Consultation Results and Feedback Report on the City of Cardiff Council's 2016/17 Budget Proposals (February 2016)

# Infrastructure Services Alternative Delivery Models

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## Full Business Case





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

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### 4.7 Management of Risk

**References**

- Cabinet Paper 15 May 2014 – ‘Establishing a Programme of Organisational Change for the City of Cardiff Council’
- Cabinet Paper 20 November 2014 – ‘Infrastructure Services Alternative Delivery Models’
- Cabinet Paper 16 July 2015 – ‘Infrastructure Services Alternative Delivery Models’
- Scrutiny Paper 1st December 2015 – ‘Alternative Delivery Model – Infrastructure Services. Building a successful local authority company – Governance Options’.
- Consultation Results and Feedback Report on the City of Cardiff Council’s 2016/17 Budget Proposals. February 2016
- ‘Spreading their wings. Building a successful local authority trading company’. Grant Thornton

**Appendices**

- Appendix 1 - Bevan Brittan Advice Note of Delegation of Council Functions to Wholly Owned Company
- Appendix 2 - Service Summaries
- Appendix 3 - Financial Information
- Appendix 4 - High Level Implementation Plan
- Appendix 5 – Commercialisation Programme Risk Register

## Executive Summary

### Strategic Case

On 16 July 2015, the Council's Cabinet approved the report of the Director of City Operations entitled 'Infrastructure Services – Alternative Delivery Model'. The report set out the recommendations from the Outline Business Case regarding the most appropriate future delivery model for the infrastructure services within scope, as listed in Table 1 below:

Table 1: Services within Scope of the Project

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

The report concluded at that time that the most appropriate future delivery model for the services within scope of the project would be a Wholly Owned Company (WOC) which complies with the 'Teckal' exemption (now incorporated into UK law as regulation 12 of the Public Contracts Regulations 2015 (SI 2015 No 102) thereby allowing the Council to 'passport' work to the company without following a formal procurement exercise.

As approved by Cabinet, this Full Business Case gives more detailed consideration to the Wholly Owned Company model and the Modified In-house model as the public sector comparator and recommends which of these should be adopted as the future delivery model for the services in scope.

If approved, the proposed way forward set out in this document will then be implemented.



## Economic and Commercial Case

### **Full Business Case Workstreams**

The Project Team established the following workstreams to facilitate the completion of the Full Business Case (FBC) analysis:

- Due Diligence;
- Existing Income Assessment;
- Review of Procurement Procedures and Outsourcing Relevant to Services in Scope;
- Review of ICT Matters;
- Human Resources Advice;
- Legal Advice;
- Information Governance Advice;
- Social Value Review, and
- Preparation of Service Strategies.

The more significant issues identified through these workstreams are summarised below:

- **Review of ICT Matters** – the main difference between the two models from an ICT perspective relates to the need for a Wholly Owned Company to have a separate financial reporting system to reflect its status as a separate legal entity. SAP would either need to be reconfigured to include for a new company code and separation of accounts, procurement, payroll, stores and Works Order Management systems or the purchase of a new financial system. The reconfiguration cost has been initially estimated to be in the region of c.£400k. The purchase and implementation of a new financial system would be of the same order of magnitude. As only one of these can be purchased, a sum of c.£400k has been assumed in the financial model for the Wholly Owned Company;
- **Review of Enterprise Architecture Requirements** – the review work undertaken identified the need to introduce more industry standard technology (i.e. rostering software, in-cab, and mobile working devices) to improve performance, achieve efficiencies, and improve the customer experience. Expenditure will be required for both the initial set-up costs, which are estimated at £350k to cover 2016/17 and 2017/18, and recurring costs which are estimated to incrementally increase to £122k in 2018/19. The estimated financial benefit over the same 5-year period is estimated to be in excess of £1.5m. Additionally, the need for a fully functional Fleet Management Information Technology (FMIT) system was identified as critical to reduce and control the Council's fleet costs, manage compliance, improve operational efficiency, and achieve the financial benefits identified in the Central Transport Service Strategy. The estimated purchase and installation cost of this

system is £150k. Resources are also needed to implement and licence these products. The identified costs and benefits for both the enterprise architecture and FMIT improvements are common to both models;

- **Legal Advice Regarding Trading** - the Council can deliver/sell services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so. The Council can also provide services (provided they are not under a duty to do so) directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to do this, it has to set up a company. In respect of commercial waste, legislation allows the Council to make a reasonable charge for the collection of waste within its area (further detail is provided in section 2.3.8);
- The Council can create substantial further **social value and alignment** with Corporate strategies through:
  - Creating employment opportunities for basic skills development, apprenticeships, work placements, Probation services placements and working with vulnerable groups. This will supplement not replace existing employees, which in itself is expected to grow overall through the insourcing of current external work
  - Utilising assets such as Parks to encourage social activities and promote public health initiatives
  - Support community safety initiatives given community presence
  - Supporting local SME market and regeneration including work allocation and payment terms.

The opportunities identified need to be aligned with the current corporate initiatives and a fully integrated corporate social responsibility function created that brings all the current workstreams and initiatives together including internal and external funding streams.

- **Future Service Strategies** - individual service strategies were prepared by the Operational Managers for each service in conjunction with service employees, colleagues from the Council's Finance Service, the Project Team, specialist support from Peopletoo as well as consultation feedback from the Trade Unions. The service strategies were also externally reviewed and challenged by Local Partnerships. Key outputs from this work included the identification of a future 5-year strategy for each service and the associated financial benefits, the 'key enablers' for the implementation of these strategies, and the key risks to the achievement of the identified benefits. These outputs, together with key operational information regarding each service, are summarised in the Services Summaries in Appendix 2.

The associated financial benefits are also summarised in the Financial Analysis section of this report.

### **Overarching Service Strategy**

The common themes regarding service challenges and opportunities identified through the development of the individual service strategies were used to develop the 'overarching strategy', summarised below, for all the services in scope:

- Create appropriate 'service clusters' to maximise existing synergies and future opportunities;
- Increase operational efficiency and service resilience;
- Progress and improve the commercialisation of services;
- Develop an organisational brand;
- Build social capacity;
- Establish a strategic direction regarding future service delivery;
- Collaborate with neighbouring authorities;
- Continue with ongoing employee initiatives, and
- Improve accountability for service delivery

To maximise opportunities from existing synergies and also future opportunities as identified through the service strategies, it is intended that the services in scope be 'clustered' as follows:

- **Recycling Waste Management Services:** Comprising of Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal;
- **Neighbourhood Services:** Comprising of Street Cleansing, Parks Management, Parks Development and Sport, and Education/Enforcement;
- **Total Facilities Management:** Comprising of Hard FM (Building Management and Maintenance Services), Soft FM (Cleaning, Building Management Support, and Security Services), and Pest Control;
- **Fleet Services:** Comprising of the Central Transport Service;
- **Design Consultancy:** Comprising of Projects Design and Development, Highways Design and Delivery, and Landscape Design, and
- **Highways:** Comprising of Highways Operations, Highways Asset Management, and Highways Engineering.

## Financial Analysis

A summary of the major categories of benefits identified by service cluster, based on a number of projections and assumptions set out in Appendix 3, is shown in Table 2 below:

Table 2: Summary of Financial Benefits by Service Cluster

Area	Benefit Category				
	Operational (£000s)	Insource (£000s)	Collaboration (£000s)	Trading (£000s)	Total (£000s)
<b>Model Neutral (Benefits)</b>					
Recycling Waste Services	-867		-50	-689	-1,606
Neighbourhood Services	-350			-206	-556
Fleet Services	-1,020	-140		-330	-1,490
Total Facilities Management	-20	-1,000		-255	-1,275
Consultancy Design		-315		-30	-345
Highways	-301	-476			-777
<b>Total Benefits</b>	<b>-2,558</b>	<b>-1,931</b>	<b>-50</b>	<b>-1,510</b>	<b>-6,049</b>
<b>Model Neutral (Costs)</b>					
One-off "Investment"					1,035
Recurring					247
<b>Total Costs</b>					<b>1,282</b>
<b>Net Benefits</b>					<b>-4,767</b>
WOC Additional Benefits	-371		-2,655	-307	-3,333

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WOC Additional Costs					787
<b>WOC Additional Net Benefits</b>					<b>-2,546</b>

As well as the financial benefits analysis presented above the financial analysis also considered costs for areas that were common between both models as well as those that were model specific. A summary of the financial model including bringing together the costs and benefits over the 5-year time horizon considered is provided in Table 3 below:

Table 3: Summary of Financial Model

	Yr. 1 16/17 (£000s)	Yr. 2 17/18 (£000s)	Yr. 3 18/19 (£000s)	Yr. 4 19/20 (£000s)	Yr. 5 20/21 (£000s)	Total (£000s)
Recycling Waste Services	3	-266	-752	-363	-228	-1,606
Neighbourhood Services		-74	-174	-179	-129	-556
Fleet Services	-25	-440	-345	-350	-330	-1,490
Total Facilities Management	-24	-486	-531	-138	-96	-1,275
Consultancy Design		-5	-120	-110	-110	-345
Highways	-25	-351	-401			-777
<b>Total Benefits</b>	<b>-71</b>	<b>-1,622</b>	<b>-2,323</b>	<b>-1,140</b>	<b>-893</b>	<b>-6,049</b>
One-off "Investment"	562	473				985
Recurring	85	148	15	0	0	247
<b>Total Costs</b>	<b>646</b>	<b>621</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,282</b>
<b>Net 'Model Neutral' Benefits</b>	<b>575</b>	<b>-1,001</b>	<b>-2,308</b>	<b>-1,140</b>	<b>-893</b>	<b>-4,767</b>
WOC Additional Benefits	72	7	-1,155	-1,103	-1,155	-3,333
WOC Additional Costs	413	365	10			787
<b>Net Additional WOC Benefits</b>	<b>485</b>	<b>372</b>	<b>-1,145</b>	<b>-1,103</b>	<b>-1,155</b>	<b>-2,546</b>

Although the financial assessment indicates that a Wholly Owned Company (WOC) could provide the Council with greater benefits over the full five-year period, those additional benefits are mainly

achievable in years 3-5. Also, the establishment of a company governance structure, and financial, ICT and operating arrangements would bear heavily on resources that, in a short space of time, puts at risk the delivery of the changes needed to secure immediate savings. Additionally, the delivery of savings and additional income for 2016/17 and 2017/18 remains the Council's key priority. It is important to note that within 2016/17 budget settlement these services in scope are already delivering over £5m in savings, in house, which are additional to these opportunities.

The key council priorities are to, reduce operating costs, improve performance, improve customer satisfaction and reduce failure demand while developing income opportunities. It is a programme of change to deliver those priorities which is the pressing matter. The debate between in-house and a Teckal based Wholly Owned Company requires the consideration of governance, speed of change and as importantly the Council's readiness and preparedness to accelerate to generate more traded income. It is the delivery of a significant service improvement programme that will drive increases in commercialisation and productivity.

### **Proposed Way Forward**

It is therefore proposed to implement two complementary programmes of change through a Modified In-house model:

#### 1. Developing Cardiff's Commercial Services

The Full Business Case analysis has highlighted the need to build commercial understanding and capacity within the Council. This will require the embedding of a new commercial culture to ensure that managers and all employees have a good understanding of service costs with an appropriate pricing strategy put in place to facilitate targeted growth in income.

It is proposed that Cardiff Commercial Services should consist of:

- Recycling Waste Management Services: Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal;
- Fleet Services: Central Transport Service and Fleet Management;
- Total Facilities Management: Hard FM (Building Maintenance), Soft FM (Cleaning, Security and Building Management) and Pest Control;
- Projects Design and Development.

In effect, this will bring together services that are partially commercialised, or else have commercial potential but are in need of rapid transformation.

It is proposed that a Cardiff Commercialisation Programme be established to drive commercialisation and productivity across the Council as a whole.

#### 2. Transforming Neighbourhood Services

It is proposed to continue and develop to the next level the early successes achieved through the new Neighbourhood Services approach. This would focus upon the completion of the integration of

the relevant services, in particular, Highway Operations, Parks Services, Street Cleansing and all environmental enforcement and related design services, including management, back office and support services.

It is believed that this proposed way forward would be the most effective way for the Council to achieve the project objectives at this current time.

### **Financial Case**

The implementation of the new model would be a significant piece of work that will require the allocation of appropriate resources so it is progressed in a focussed and timely manner. The implementation would continue to require the Council's Organisational Development Team, Human Resources, ICT and Enterprise Architectural staff resources. There would also need to be a continuance of external commercial support to ensure that the required actions detailed under the 'Cardiff Commercial Services' and associated 'Organisational Change and Branding' work previously described are effectively implemented with a particular focus on transferring commercial skills and knowledge to existing Council employees. It is recommended that a budget of c.£250K be established for the purpose of securing this required external commercialisation input. Additionally, an estimated investment of c.£35k is required for branding and the establishment of marketing for Cardiff Commercial Services.

Appropriate budgets would need to be approved for the implementation of the new enterprise architecture proposals and commercial website detailed in this document. These would be subject of detailed business cases for invest to save or earn that the Commercialisation Board would consider as the programme rolls out.

### **Management Case**

The implementation of the proposed service strategies and Commercial and Neighbourhood services workstreams would be overseen by a Commercialisation and Accelerated Improvement Board comprising the Chief Executive, relevant Directors, and appropriate external representatives as required, with a mandate to drive commercialisation and productivity across the Council as a whole.

The Cardiff Commercial and Collaboration workstream would be led by an Assistant Director (Commercialisation and Collaboration) who would report to the Board and be responsible for operational implementation of the service improvement strategies, based within the Economic Development Directorate.

The Neighbourhoods workstream would be led by the City Operations Directorate and also be accountable to the Commercialisation and Accelerated Improvement Board for its delivery. The continued transformation of Neighbourhood Services would take place within the City Operations Directorate across its services for Highways, Parks Management and Development, Street Cleansing and Enforcement, and will accelerate the service changes that have already successfully taken place in 2015/16.

The Board would also be responsible for driving accountability, support resources and acceleration for other council wide projects for commercialisation or rapid improvement. Examples of this are other activities within areas of Communities (Alarm Response Centre (ARC)) and City operations (Bereavement Services, Energy), and also catering services across a number of directorates. These present opportunities for further work, within directorates, to be supported and governed by the Board.

The service strategies identified the 'key enablers' required for the implementation of the strategies. Some of the key enablers identified are common across many of the service strategies prepared and hence it is important these are promptly commenced/implemented to achieve the target strategic benefits. These 'key enablers' include:

- Implementation of a Fleet Management Information Technology package for the Central Transport Service;
- Implementation of the new enterprise architecture including rostering, scheduling and mobile working technology to facilitate operational efficiencies and improve customer services;
- Development of a commercial brand together with a commercial website;
- Completion of a review of the Fleet and Building Services Frameworks;
- Strong support for the introduction of apprenticeships and developing links with the NEETs agenda;
- The adoption of a 'One-Council' approach to asset management, investment, development and maintenance in respect of the Council's infrastructure assets;
- Completion of zero-based budgeting for all the services in scope to develop a thorough understanding of the essential expenditure and control of budgets to support the future delivery model;
- The on-going effective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies;
- Support to explore collaboration opportunities with other councils and public bodies, and
- Appropriate internal and external resources to support the programme.

The key milestones for the implementation of the Commercial Programme are as follows:

- Cabinet approval of the Full Business Case –June 2016
- Transfer of Services to identified workstreams and Directorates -June 2016
- Establishment of the Commercialisation and Accelerated Improvement Board (C&AI) –June 2016
- Commence implementation of Services Strategies –June 2016
- C&AI Board approval of Service Improvement Plans –July 2016
- Agree performance measures –July 2017
- Start commissioning of an FMIT system –September 2016
- Prepare and approve 2017-2021 Business Plans –September 2016–January 2017
- Complete commissioning of new enterprise architecture –31st March 2017
- Independent review of progress against performance –August 2017



- C&AI Board to consider recommendations arising from the independent review –September 2017

The management of risk would remain a key priority throughout the commercialisation programme. An important risk to the achievement of the target benefits would be the delay in or non-implementation of the key enablers identified above.

#### **Conclusion Regarding the Proposed Model of Delivery**

It is proposed to implement two complementary programmes of change through a Modified In-house model as described in this Full Business Case

## 1. The Strategic Case

### 1.1 Outline Business Case Recommendations

- 1.1.1 On 16 July 2015, the Council's Cabinet approved the report of the Director of City Operations entitled 'Infrastructure Services – Alternative Delivery Model'. The report set out the recommendations from the development of an outline business case regarding the most appropriate future delivery model for the infrastructure services within scope.
- 1.1.2 The conclusion from the analysis was that the most appropriate future delivery model for the services within scope of the project would be a Wholly Owned Company (WOC) which complies with the 'Teckal' exemption (now incorporated into UK law as regulation 12 of the Public Contracts Regulations 2015 (SI 2015 No 102) – please see section 2.3.8 of this document) thereby allowing the Council to 'passport' work to the company without following a formal procurement exercise. The Cabinet approved the recommendation that a Full Business Case analysis be undertaken on the Wholly Owned Company and Modified In-house base case models to determine the preferred future delivery model for the services within scope of the project.
- 1.1.3 The 16 July 2015 report followed the approval on 15 May 2014 by the Council's Cabinet of the report of the Chief Executive entitled 'Establishing a Programme of Organisational Change for the City of Cardiff Council' which set out the Cabinet's view that for the Council to effectively address the significant challenges it immediately faces, the Council will need to fundamentally challenge the way that its services are currently delivered and consider a full range of service delivery models and providers.
- 1.1.4 The significant challenges faced by the Council were identified as follows:
- Rapid Fiscal Consolidation;
  - Increased demand on services;
  - The need for continuous improvement and service performance challenges;
  - Accelerating Cardiff's development as a European Capital City;
  - Reorganising local government.
- 1.1.5 To address the key challenges faced by the Council, a three-year Organisational Development Programme was proposed with the following specific outcomes being sought:
- Reduced operating costs to address rapid fiscal consolidation;
  - Improved outcomes across the Council in key improvement priorities, to address current performance weaknesses;
  - Improved demand management and reduced failure demand, to more efficiently address the increasing demand for services;

- Delivery of key infrastructure projects to accelerate Cardiff's developments as a European Capital City;
- Development of effective partnership and collaborative working where that fits with the Council's objectives.

1.1.6 A key project identified by the May 2014 Organisational Change Report, included within the Infrastructure and Neighbourhood Delivery workstream within the Reshaping Services Programme, was the Infrastructure Services Alternative Delivery Models Project.

## **1.2 Scope Changes**

1.2.1 A total of 14 services across 5 directorates were included within the Infrastructure Services Alternative Delivery Models Project as approved in May 2014. The Telematics Service was initially included within scope of the project. However, following a restructuring of the Strategic Planning, Highways, Traffic and Transport Directorate, the Telematics Service was effectively disbanded with its former functions being transferred to the Highways Asset Management Service with the exception of the Highways Control Room. The Control Room is a service delivered in partnership with the Police and has been aligned with the Network Management functions now carried out by the City Operations Directorate which are not in scope. In addition, a restructure of Directorates has taken place since the project was originally approved in May 2014, so the services in scope are now spread across 3 Directorates as opposed to 5, with the original Strategic Planning, Highways, Traffic and Transport Directorate; Environment Directorate and the Sport Leisure and Culture Directorate being merged to create the City Operations Directorate.

1.2.2 The services that remain in scope are identified in Table 1 overleaf:

Table 1: Services within Scope of the Project

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

1.2.3 Following Cabinet approval in July 2015, a 'viability test' (see section 2.3.8) was performed and all services listed above remain in scope.

### 1.3 Full Business Case Purpose and Sections

1.3.1 The purpose of the Full Business Case is to give more detailed consideration to both the Modified In-House and Wholly Owned Company models and recommend which of these should be adopted as the future delivery model for the services in scope.

1.3.2 The Full Business Case (FBC) comprises 4 main sections: this Strategic Case; the Economic and Commercial Case; the Financial Case and Management Case.

1.3.3 The Economic and Commercial Case summarises: The Outline Business Case process and conclusions; the Modified In-House and Wholly Owned Company models; the workstreams established for the purpose of the Full Business Case analysis; the proposed future strategies for the services in scope, and the financial analysis undertaken. It closes with the conclusion on the proposed way forward for the services in scope.

1.3.4 The Financial Case provides detail regarding the: delivery of the operational benefits, implementation costs, and Corporate Management costs.

1.3.5 The Management Case describes: how the proposed changes will be governed and managed; the timescale for implementation; future stakeholder engagement; reporting and monitoring; the key enablers and the management of risk.

#### **1.4 Project Objectives**

1.4.1 The objectives of the Infrastructure Services Project, which are consistent with those identified in the Organisation Development Cabinet Report approved on 15<sup>th</sup> May 2014, are as follows:

- Reduce operating costs;
- Improve outcomes to address current performance weaknesses;
- Improve customer satisfaction, demand management and reduced failure demand, to more effectively address the increasing demand for services;
- Develop effective partnership and collaborative working, where appropriate;
- Optimise income generation to support core funded services.

#### **1.5 Modified In-House Defined**

1.5.1 Under this model, the Services in Scope would continue to be delivered in-house using employees directly employed by the Council. The Services would be redesigned as required through restructuring, 'leaning' and re-engineering of procedures, policies and processes and using industry best practice technology to become self-sustaining and cost effective, commercially focussed business units.

1.5.2 The commercial trading abilities of an in-house model would remain the same as that of the Council, that is, the risk and reward from reshaping the Council would be held by the Council. In terms of trading, as stated later in section 2.3.8, the Council can deliver/sell services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so – there is no need to set up a company in order to trade in this market. The Council can also provide services (provided they are not under a duty to do so) directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to do this, it has to set up a company. As with the Wholly Owned Company model, in respect of any commercial growth aspirations, it would also need to ensure it has, or can acquire, the commercial skills and capability that would be required to commercially grow in accordance with projections identified within its business plan.

1.5.3 Key features of this option include:

- Existing employees would remain as Council employees;
- The Council's pension scheme would continue to apply to affected employees;
- Employment costs and liabilities would remain with the Council;
- Management structures and job grading would continue to be consistent with Corporate Job Evaluation principles, and
- Specialist support services for the services (finance, HR, ICT, etc.) would continue to be provided by the Council.

## **1.6 Wholly Owned Company Defined**

1.6.1 Under this model, the Services within scope would be delivered by a company set up and wholly owned by the Council in accordance with Section 95 of the Local Government Act 2003.

1.6.2 The main effect of this is to enable Councils to trade more widely with the private sector (subject to limits set out below) in respect of function related activities for a profit and enter into commercial contracts. The profits would be returned to the Council through dividends or rebates on service charges. The Company would need to ensure that it has, or can acquire, the commercial skills and capability that would be required to ensure that it could take advantage of the enhanced trading freedom.

1.6.3 It is intended that the Company, if established, would satisfy the 'Teckal' exemption which has now been incorporated into UK law through Regulation 12 of the Public Contracts Regulations 2015 (SI 2015 No 102) which means that the Council could 'passport' work to the Company without following a procurement process. For the Company to benefit from this 'Teckal' exemption, the following criteria must be satisfied:

- The Council must exercise control over the company which is similar to that which it exercises over its own departments;
- The trading activity of the Company must not exceed 20% of the turnover of the company, that is, 80% or more of the activity of the company must be for the Council;
- The trading company must be owned only by eligible public bodies/contracting authorities and there can be no private ownership or interest in the company. In the case of a Wholly Owned Company, the company would be wholly owned by the Council.

1.6.4 The Council's employees would transfer to the new company through the Transfer of Undertakings (Protection of Employment) Regulations (TUPE) meaning that the existing Terms and Conditions would be protected. Also, similarly to the modified in-house model, the Council's pension scheme would continue to apply to affected

employees, and management structures and job grading would continue to be consistent with the Council's Job Evaluation principles.

- 1.6.5 If established, it is expected that the Wholly Owned Company would agree to buy back Council central support services for an initial period of three years (estimated), after which the arrangements would be reviewed. This is the approach which has been adopted by a number of other councils who operate 'Teckal' companies.
- 1.6.6 As with the In-House model, the Services would need to be redesigned as required through restructuring, 'leaning' and re-engineering of procedures and processes to become self-sustaining and cost effective, commercially focused business units.
- 1.6.7 The Wholly Owned Company would have a board of directors (which could include representatives from the Council and company employees). The Company would be accountable to the Council through contractual arrangements (in relation to the services it provided) and through governance arrangements (in relation to the Council's ownership).

## 2. Economic and Commercial Case

### 2.1 Outline Business Case options appraisal process

2.1.1 Seven alternative delivery models were initially researched and appraised:

- Modified In-House
- Wholly Owned Arm's Length Company
- Public / Public Corporate Joint Venture
- Public / Private Corporate Joint Venture
- Social Enterprise (co-operative and mutual)
- Collaboration (shared services agreement)
- Outsourcing

2.1.2 Following initial analysis, a short list of models was approved by the Council's Cabinet on the 20th November 2014. It was further agreed that the short list of models be subject to further evaluation and outline business case (OBC) analysis to determine the suggested service delivery models for each service in scope. The short list of models comprised:

- Modified In-House
- Wholly Owned Arm's Length Company
- Public / Public Corporate Joint Venture
- Public / Private Corporate Joint Venture
- Outsourcing

2.1.3 A simple but robust process was developed for the appraisal of the alternative delivery models. It comprised:

- The application of a corporate evaluation methodology;
- A high level financial analysis, and
- The consideration of a number of other key factors

#### 2.1.4 Corporate Evaluation Methodology

2.1.4.1 To assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model Evaluation Methodology was developed by its Commissioning and Procurement Service. This methodology was approved by the Project Enablers and Commissioning Programme Board and reviewed by Informal Cabinet and the Council's Policy Review and Performance Scrutiny Committee. It, together with the other elements of the options appraisal, was also subject to external challenge and review by Local Partnerships and subject to detailed



consultation with the Trade Unions. Further information regarding this methodology can be found in section 2.9.2 of the Outline Business Case.

#### 2.1.5 High Level Financial Analysis

2.1.5.1 In order to undertake a high level financial analysis, it was necessary to make a number of assumptions regarding each model. These assumptions were informed from evidence obtained from the Soft Market Testing exercise completed as part of the project and from further direct conversations with relevant organisations including as part of the Scrutiny Task and Finish Group site visits. In addition, they were subject to challenge by Local Partnerships.

2.1.5.2 The models were evaluated over a 12-year period to allow for a 2-year procurement/mobilisation period and a 10-year operational period, commensurate with the contract period which would be typical of the Joint Venture and outsourcing arrangements. The outcome from this evaluation exercise is reflected within Table 5 of the Outline Business Case document.

2.1.5.3 To model the impact of variations in the assumptions, a sensitivity analysis was undertaken.

#### 2.1.6 Other key factors

2.1.6.1 The options appraisal also considered the following 'other factors' for each alternative delivery model:

- Commercialisation opportunities;
- Implementation period;
- Contract period (where applicable);
- Extent that the model has been adopted by other Councils for the services in scope;
- Impact upon the employment status of employees;
- Organisational governance;
- Client management;
- Political support;
- Union support;
- Cardiff residents support;
- Financial and contractual flexibility;
- Strategic control, and
- Flexibility for collaboration agenda and other Council engagement for services.

## 2.2 Outline Business Case Conclusions

2.2.1 The conclusion of the Outline Business Case analysis was that the most appropriate future delivery model for the services within scope of the project was a Wholly Owned Company (Teckal). The key reasons for this recommendation were as follows:

- Whilst the financial projections in the Outline Business Case are high level, these indicate that the Wholly Owned Company is most likely to deliver the greatest financial benefit for the Council;
- The Wholly Owned Company can commence operation to allow the Council to achieve financial benefits early in the 2016/17 period subject to necessary implementation actions and identified cost saving decisions being taken;
- It will retain a public sector ethos and allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company;
- It should facilitate the development of a more commercialised culture and improved quality of service delivery to residents;
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken;
- It will ensure that all benefits achieved are retained by the Council;
- It provides an opportunity to invest in and use industry standard systems and technology in the day to day management and delivery of services to suit the company's specific needs rather than the general need of the Council;
- Whilst the Trade Unions and employees have a preference for maintaining in-house provision, feedback provided from other councils that have established Wholly Owned Trading Companies, suggest that most employees will be motivated by the new culture created within the new organisation whilst enjoying key protections as a company of the Council;
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey;
- It will provide opportunity to incentivise the new team to drive the new business forward;
- It will retain employee knowledge within the wider Council organisation;
- The anticipated commercial growth will assist in safeguarding jobs;
- It provides the potential to improve the management of risk and other Council financial liabilities;

- It fits with the strategic objective of the Council of other ongoing Council Programmes;
- It provides future opportunities for co-ownership with other Councils which is important in respect of the Assembly's current local government agenda;
- It provides an appropriate strategic approach to achieving the required improvements, that is, if the key success criteria are not satisfied as determined through the ongoing Gateway Review Process, the necessary Company changes can be implemented or a new alternative delivery model adopted.

2.2.2 Cabinet approved that a Full Business Case be undertaken for the Wholly Owned Company model to comprise a detailed analysis of the Wholly Owned Company model and the Modified In-house model as a Public Sector Comparator, culminating in the submission of a report to Council/Cabinet recommending which model should be implemented for the identified services in scope.

### 2.3 Full Business Case – Analysis Stage

Following the approval of the Outline Business Case, the Project Team established a set of workstreams to facilitate the completion of the Full Business Case (FBC) analysis and appraisal of the two models. Outline descriptions of these workstreams and their output are summarised in the following sections. As intended, the output has been used to inform the Full Business Case analysis and appraisal of the two models.

#### 2.3.1 Due Diligence of Services in Scope

2.3.1.1 Managers for the services in scope of the project were requested to complete Due Diligence work to provide a current 'As Is' picture of their service area.

2.3.1.2 To assist with this work, the Project Team developed a Due Diligence template for completion by the Managers. The completed forms were reviewed by the Project Team and Local Partnerships to ensure the required level of detail and consistency in the information provided.

2.3.1.3 The Due Diligence template comprised the following nine sections:

- **Identification of service area functions** – In this section Managers were asked to: breakdown their service area by functions delivered; provide details of their organisational structure, and provide an overview of their 15/16 budget and how this was allocated across the identified functions;
- **Objectives** – In this section, Managers were asked to: identify the client types served by each function; analyse the identified functions providing details of

any performance measures, volumetric details, quality measures and then a trend analysis against the volumetric and quality measures;

- **How service is currently provided** – In this section Managers were asked to provide: information on the operational model of delivery; details of industry standard specifications; details of any legal requirements/constraints; information regarding other Council services the function is reliant upon; details regarding hours of operation; details regarding where the function is delivered from, and a PESTLE analysis for each function;
- **Employees** – This section confirmed that employee information would be collated as part of the HR workstream;
- **Assets and Liabilities** – In this section, Managers were asked to provide details of where functions were delivered from, whether they are delivered from any other premises, if these premises are shared with any other service areas and finally asking if there is an actual requirement to deliver the function from the identified premise(s). This section also advised vehicle and plant assets will be looked at as part of the Asset workstream;
- **Services to Others** – In this section Managers were asked to provide details of any contracts held with external organisations for the delivery of their identified functions;
- **Service Dependencies** – In this section, Managers were asked to analyse each of their identified functions advising of the potential impact on the Council if the function failed and the impact on a function should a Council service area that it is reliant upon should fail;
- **Service Constraints/Risks and Commercial Requirements** – In this section, Managers were asked to: identify any constraints that could be preventing each identified function from performing better; undertake a risk analysis for each function, and identify any matters that might be relevant for commercialisation of the identified functions;
- **Miscellaneous** – This section asked Managers to append or describe details of any disaster recovery/business continuity processes/plans in place.

### 2.3.2 Existing Income Assessment

- 2.3.2.1 As part of the high level financial analysis work undertaken, an assessment of the income currently earned by the services in scope was also completed. In summary, for the 2015/16 financial period, of the c. £72.8m gross budget, the total income budget was c. £43.7m (c. 60% of gross budget) comprising internal income, grants, external income, and 'other (e.g. income from the Housing Revenue Account and Harbour Authority). The value of external income budgeted

was c. £8m (c. 11%). For the 2016/17 period, the gross budget and total income budgeted is c£72.2m and c£46.2m respectively with the value of external income budgeted being c£8.5m (c. 11.8%).

### 2.3.3 Review of Procurement Procedures and Outsourcing Relevant to Services in Scope

2.3.3.1 The procurement work consisted of two key activities. The first was to develop an understanding of the potential opportunity for the services in scope to redirect third party spend back into the Council, both in relation to work the services in scope put out externally and also work put out externally by other Council service areas that could potentially be carried out by the services in scope of the project. The analysis indicated that in 2014/15, the specific suppliers and contractor spend directly in the services in scope spent £31 million. Total spend across the Council in 2014/15 amounted to £140 million with suppliers and contractors on services for those functions, this means that there is potential for more of that spend to be delivered by services in scope of the project. This information was used as a 'first cut' to help services in scope identify potential insourcing opportunities to be explored in the development of their individual service strategies (referred to later in this Full Business Case).

2.3.3.2 The second key activity was the identification of opportunities for improving the existing corporate procurement strategies, processes and procurement rules, and assess whether these opportunities could be better delivered and managed through a Modified In-House or Teckal based Wholly Owned Company model. The Commissioning and Procurement team approached this by holding a number of workshops with the Service Managers and representatives. The workshops were positive and a number of changes to the Council's Contract Standing Orders were identified which are due to be considered by Cabinet in the first quarter of 2016/17 financial year. The key changes identified include:

- Increasing the tender threshold to £75,000;
- Further utilisation of PROACTIS for Quotes and Tenders;
- Better forward planning of tendering and quoting, and a default use of established frameworks and contracts;
- Better training of council services to use PROACTIS;
- Devolvement of responsibility to Directors for procurements below the OJEU value.

2.3.3.3 In consideration of the proposed changes, the procurement workstream reported that there would not be any significant savings, process or efficiency advantages for a Wholly Owned Company over a Modified In-House model once the policy and process changes are introduced.

2.3.3.4 The procurement workstream also considered some Wholly Owned Company specifics in respect of the guaranteeing of any tendered work won by the company, the 'reverse Teckal' (i.e. the company buying services back from the Council without following a formal procurement process), and also 'retained client' management considerations. Regarding guaranteeing tendered work won by the Wholly Owned Company, the workstream identified that in the initial years of its operation, due to the company's lack of financial history the Council may need to act as a guarantor for any work won and hence this would need to be addressed in any contract between the Council and the company. Regarding the 'reverse Teckal' it was confirmed that EU regulations would allow the company to contract services from the Council without a formal procurement process, and that case studies suggest that Wholly Owned Companies tend to agree to buy back central support services for an initial period of three years, after which the arrangements would be reviewed. In respect of the 'retained client', the procurement workstream confirmed that the size of the Council client team would depend on the number of services delivered by a company and also the level of control between the two organisations. However, if a Wholly Owned Company was setup by the Council, there would be a high level of trust and hence a relatively 'thin' client team would be anticipated.

#### 2.3.4 Review of ICT Matters

2.3.4.1 At the outset of the Full Business Case analysis stage the ICT workstream was responsible for identifying and validating a list of all ICT assets and applications used by the services in scope of the project. In order to achieve this, the ICT workstream compiled a list of corporate, industry specific and service specific systems and which service areas they believed used each system. This list was then circulated to the Service Managers for checking. Once other workstreams in the Full Business Case analysis stage had progressed further, the ICT workstream was then in a position to capture a list of all ICT assets (e.g. thin client devices, laptops, desktops, multi-functional devices) that belonged to or were associated with the services in scope of the project.

2.3.4.2 After establishing and validating the lists of ICT applications and assets in scope of the project, ICT was then able to utilise this information to inform the analysis of how the ICT landscape would look like under a Modified In-House or Wholly Owned Company model and the relevant costs associated with these.

2.3.4.3 Following the analysis of the two models and the potential impact upon the ICT landscape, the ICT workstream produced a report to represent its findings. The key points identified in the report are summarised below:

- There is no identified reason why existing ICT software infrastructure, applications and licences cannot be used by either the Modified In-House or Wholly Owned Company models;
- Transition to either model would be quicker, easier, more manageable and more cost effective by using existing systems and infrastructure and making changes over time and on a prioritised basis;
- A new operating model for the services in scope of the project will require a reassessment and re-profiling of the ICT Service Level Agreement and charging model;
- If a Wholly Owned Company was established, current corporate and service area systems should be retained, and any changes to existing systems and contracts should be considered on a case by case basis or where contract periods come up for renewal;
- The cost of a new website for either model would be approximately £5-£12k depending upon the required complexity;
- The main difference between the two models from an ICT perspective relates to the need for a Wholly Owned Company to have a separate financial reporting system to reflect its status as a separate legal entity. SAP would either need to be reconfigured to include for a new company code and separation of accounts, procurement, payroll, stores and Works Order Management systems or the purchase of a new financial system. The reconfiguration cost has been initially estimated to be in the region of c. £400k. The purchase and implementation of a new financial system would be of the same order of magnitude. A sum of c.£400k has been assumed in the financial model for the Wholly Owned company.

### 2.3.5 Review of Enterprise Architecture Requirements

2.3.5.1 At the Full Business Case analysis stage this workstream was responsible for documenting the current and proposed enterprise architecture (operational structures, processes and supporting technology) for the services in scope of the project.

2.3.5.2 In order to document the current enterprise architecture, the Enterprise Architecture team met with teams and key staff from the services in scope. Key observations made from the documentation of the current architecture included:

- Different service areas and their teams carry out similar processes in different ways on different systems;

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- Most services deal with customers and offer services to the customers or perform tasks as a result of the customer contact. Customer records are kept on a variety of systems, thus duplicating data and creating jobs on a number of disparate systems;
- The services in scope should standardise their processes and systems used, and as part of this, they should also look to improve the customer experience by introducing more digital services. This would enable the service areas to:
  - Achieve savings by unifying processes to achieve efficiency savings through:
    - Utilising the workforce and resources more effectively;
    - Reducing Back Office effort by automating processes where possible;
    - Reducing end to end processing times;
    - Reducing failure demand;
    - Improving productivity;
    - Eliminate duplication of data
  - Provide a more integrated process than present
  - Remove manual effort from the processing of information and data;
  - Improve customer journey experience and expectation, and
  - Improve performance management & management information to make better informed decisions.
- The estimated cost to purchase and install the new enterprise architecture systems, excluding in-house resources, are £350k to cover 2016/17 and 2017/18 initial set-up costs, and recurring costs which are estimated to incrementally increase to £122k in 2018/19. The estimated financial benefit over the same 5-year period is estimated to be in excess of £1.5m. These costs and benefits are common to both models.

2.3.5.3 Additionally, the need for a fully functional Fleet Management Information Technology (FMIT) system was identified as critical to reduce and increase control on the Council's fleet costs, manage compliance, improve operational efficiency and achieve the financial benefits identified through the Central Transport Service Strategy. An FMIT system will also be essential for achieving the commercial growth aspirations of the Central Transport as identified in its future strategy identified in this Full Business Case. The estimated purchase and installation cost of this system is £150k.



### 2.3.6 Review of Assets

- 2.3.6.1 At the Full Business Case analysis stage of the project there was a requirement to baseline asset (vehicles, plant, equipment and building) information for all of the services in scope of the project.
- 2.3.6.2 To determine details of the building assets, information was used from the completed due diligence templates to establish which buildings were utilised by the services in scope. This information was then passed to the Strategic Estates team to provide further details on the assets including the tenure, square footage, condition backlog and annual running costs.
- 2.3.6.3 Information regarding vehicles, plant and equipment assets relating to the services in scope was provided by the Central Transport Services.
- 2.3.6.4 In respect of the financial analysis, based on legal advice, it has been assumed that appropriate market rates would be charged in respect of assets that would be leased to the Company if established. Further information regarding the treatment of property assets is contained in Appendix 3 of this document.

### 2.3.7 Human Resource Information

- 2.3.7.1 This workstream was focused on establishing and providing information for employees considered to be within scope of the project. The Managers for the services in scope were then tasked with validating and returning this information.
- 2.3.7.2 This workstream was also tasked with producing a report on workforce matters relevant to the establishment of a Wholly Owned Company. A summary of the main points identified by the report are as follows:

- **Contractual terms and conditions**

The difference between contractual and non-contractual terms and conditions is that contractual terms and conditions need a collective or individual agreement to be changed whereas non-contractual ones do not need such agreements to change, although they still require a consultation process to be followed. Any proposed changes to contractual and/or non-contractual changes would need to go through the required processes, and that contractual terms and conditions would have to be consistent across the Council and a Wholly Owned Company if it was established. In terms of changes to non-contractual terms and conditions so that these are different in a Wholly Owned Company compared to the parent Council organisation, it would be

important for the associated benefits to be clearly set out and the necessary approvals sought before implementation.

- **Equal pay legislation**

This legislation is in place to ensure men and women received equal pay for equal work, and that each term of a contract must be considered separately when assessing work graded the same in a recognised job evaluation process.

For equal pay purposes, if a Wholly Owned Company was established, then employees in the company could use jobs in the Council as a comparator and vice-versa. Finding a comparator is the first step in an equal pay claim. If differences were identified, it would be then down to the employer to argue any differences in contracts are not related to gender. Therefore, it would be crucial for both the Council and a potential Wholly Owned Company to be able to demonstrate that any differences in contract conditions are not related to gender.

- **TUPE**

The requirements and objectives of any new organisation may be different from the original organisation. However, the pure 'down-grading' of terms and conditions simply to deliver savings will rarely, if ever, be lawful post-TUPE transfer. Also, if the sole reason for entering into an alternative delivery vehicle is to effect a reduction in terms and conditions of employment, then this would carry a significant risk from a legal and broader human resources perspective.

- **Incentives**

Any pay related incentives offered would carry significant risks in relation to equal pay claims, and therefore alternatives to pay would need to be considered if it was felt an incentive was required.

2.3.7.3 In accordance with the advice provided by the Human Resources workstream, no changes to either contractual or non-contractual terms and conditions are proposed in respect of either the Modified In-House or Wholly Owned Company models.

## 2.3.8 Legal Advice

2.3.8.1 Legal advice was sought and provided in respect of a number of key issues during the Full Business Case analysis. The main areas of advice provided are reported below:

### 2.3.8.1.1 **Viability Test**

It was necessary to identify which functions of the services in scope could be delegated to a Wholly Owned Company, and which would need to be retained by the Council. For this task, the Legal Team was provided with a functional breakdown, from the due diligence documents for the services in scope of the project, in order to assess if the identified functions could legally be delegated to a Wholly Owned Company model. The output from this work, completed by Bevan Brittan on behalf of the Council, was that the majority of service functions could legally be delivered by a Wholly Owned Company on behalf of the Council. However, provisions would need to be made within a retained client function to complete the functions detailed in the Advice Note attached as Appendix 1. This Advice Note also identifies a limited number of functions that would not be able to be delegated to a Wholly Owned Company by the Council.

#### 2.3.8.1.2 **Appraisal of Wholly Owned Company Governance, Board and Reserved Matter options**

A report regarding the governance of a Wholly Owned Company, its Board and Reserved Matters was presented to the Policy Review and Performance Committee on 1st December 2015 (this report is publically available from the City of Cardiff Council website [here](#), the report itself is contained within the “Agenda Reports Pack” under Agenda Item 6). The information and advice in this report have since been incorporated into the financial assumptions in respect of the governance proposals for the Wholly Owned Company model option as set out in Appendix 3 of this Full Business Case.

#### 2.3.8.1.3 **Trading**

Legal advice was sought from Bevan Brittan regarding differences in the two models regarding their ability to trade. The advice received was that the council can deliver/sell services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so – there is no need to set up a company in order to trade in this market. The Council can also provide services (provided they are not under a duty to do so) directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to do this, it has to set up a company. The Council can collaborate with any other local authority to deliver/sell services but the question which needs to be answered in each case is – to whom are the services being sold/delivered? This governs whether the Council would need to set up a company to trade the services commercially.

In respect of commercial waste, in accordance with section 45 of the Environmental Protection Act 1990, the Council has a duty, if requested by the occupier of premises within its area, to collect any commercial waste for a reasonable charge (i.e. this may include a profit). The Council may also collect commercial waste outside its area. If it does so in a minor way, such that it would be seen as incidental to its statutory duty to provide commercial waste services within its area, it can continue to do so in a manner consistent with that adopted within its area. If it wishes to grow the commercial service outside its area in more than an incidental way, contrary to a popular myth, there is no statutory requirement to seek permission from another Council to collect commercial waste from its area. However, in accordance with the principles defined above, the council could provide commercial waste services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so (there would be no need to set up a company in order to trade in this market). The Council could also provide commercial waste services directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to sell commercial services to such organisations outside its area on more than an incidental basis, it would need to set up a company to do this.

This advice on trading has been taken into account in the financial analysis reported in section 2.5 (assumptions stated in Appendix 3).

### 2.3.9 Information Governance Advice

2.3.9.1 The Council's Information Governance team was requested to provide advice on any Freedom of Information and Data Protection issues that the Council would need to consider if a Wholly Owned Company was established. The key issues identified are as follows:

- A company setup by one or more public bodies is subject to the Freedom of Information and Data Protection Act in its own right, it would also be classed as a Data Controller as defined in section 6 of the Freedom of Information Act;
- A Wholly Owned Company setup by the City of Cardiff Council would need to be registered as a Data Controller which cannot solely rely on the Council's own policies, procedures and protocols;
- The most crucial Data Protection requirements would be ensuring that provisions are in place for:

- Managing access to information requests under Section 7 and the non-disclosure provisions (Section 29 and 35);
- Ensuring processes are in place for managing privacy implications with all processing of personal data;
- Ensuring provisions are in place for the secure and appropriate sharing of personal data i.e. It should be noted that an arm's length company would not be entitled to data processed as part of the "Council" services and therefore legal gateways for sharing could be affected and/or would need to be reassessed, and
- Ensuring managing data breach processes are in place for investigating and reporting any data security breach.

The company would also be subject to requirements of the Freedom of Information Act and its Codes of practice, including putting provisions in place for:

- Managing access to information requests under the Freedom of Information Act and Environmental Information Regulations;
  - Ensuring compliance with the Inspire Regulations and Protection of Freedoms Act 2012, and
  - Managing its records management requirements in accordance with Section 46 Code of practice.
- If a Wholly Owned Company was established it could look to meet the above requirements internally or the Council itself could be commissioned to deliver these responsibilities. The Data Controller (i.e. the Company) however would remain as the party subject to enforcement action for any breaches of legislation;
  - The Information Governance requirements, should a Wholly Owned Company be established, are quite significant and are not optional. Therefore, a certain level of additional resource and cost (estimated at £12k) would be associated with the Wholly Owned Company model. This has been reflected in the financial analysis.

### 2.3.10 Social Value Review

2.3.10.1 The Council has a proactive strategy for its corporate social responsibility. This strategy is currently being further developed in considering Council priorities and the external policy environment including the Future Generations Act.

2.3.10.2 This workstream has considered the potential social impact that can be achieved through the services in scope. Given the nature of the services in scope and the opportunity to bring back in house existing third party spend where it is cost

effective to do so as well as demand value from the supply chain, the Council can create substantial further social value and align with Corporate strategies through:

- Creating employment opportunities for apprenticeships, work placements, Probation services placements and working with vulnerable groups. This will supplement not replace existing employees, which in itself is expected to grow overall through the insourcing of current external work;
- Utilising assets such as Parks to encourage social activities and promote public health initiatives;
- Support community safety initiatives given community presence, and
- Supporting local SME market and regeneration including work allocation and payment terms.

The opportunities identified need to be aligned with the current corporate initiatives with a fully integrated corporate social responsibility function being created to bring all the current workstreams and initiatives together including internal and external funding streams.

### 2.3.11 Preparation of Service Strategies

2.3.11.1 A key part of the Full Business Case analysis stage was the preparation of a future strategy common to both models, relating to the project objectives, for each service in scope of the project. These strategies were prepared by the Operational Managers for each service in conjunction with service employees, colleagues from the Council's Finance Service, the Project Team, specialist support from Peopletoo as well as consultation feedback from the Trade Unions. The service strategies were also externally reviewed and challenged by Local Partnerships.

2.3.11.2 A service strategy template, comprising three main sections, was used to document the proposed future strategy:

- **Strategy Overview** – The purpose of this section was to identify: a SWOT analysis related to current service provision, and the potential challenges and opportunities; the proposed future strategy, highlighting proposed changes and the reason for doing these as well as an assessment of the strategy and capacity to in-source, trade and collaborate, and the key internal and external factors that need to be considered to implement the proposed strategy.

- **Operational Model** – The purpose of this section was to identify: the current operational model; PILOS (Processes, Information, Locations, Organisation, and Sourcing) analysis to describe how the model will be different to the current operational model, and assessment of whether the changes should be phased.
- **Outcomes** – The purpose of this section was to document the financial and non-financial outcomes (including social value) of the proposed strategy. A separate financial template was provided to record the financial benefits.

2.3.11.3 Once completed, the Service Strategies were subjected to three stages of challenge: initially by Project Team representatives; secondly (and externally) by Local Partnerships, and finally through consultation with the Trade Unions.

2.3.11.4 The completed service strategies were then used by the Project Team to develop the ‘overarching strategy’ for the services in scope.

2.3.11.5 A summary of each of the service in scope, including the proposed future strategy for each service, is attached in Appendix 2.

## 2.4 Overarching Strategy for Future Delivery Model

### 2.4.1 Introduction

2.4.1.1 Common themes regarding service challenges and opportunities identified through the development of the individual service strategies were used to develop the ‘overarching strategy’ for all the services in scope. This is set out below.

### 2.4.2 Overarching Strategy

2.4.2.1 Based on the analysis of the services, the proposed overall strategy is to:

- Create appropriate ‘service clusters’ to maximise existing synergies and future opportunities;
- Increase operational efficiency and service resilience;
- Progress and improve the commercialisation of services;
- Develop an organisational brand;
- Build capacity – social value and workforce development;
- Establish a strategic direction regarding future service delivery;
- Collaborate with neighbouring authorities;
- Continue with ongoing employee initiatives, and
- Improve accountability for service delivery.

These strategic objectives are set out in more detail below.

#### 2.4.2.2 Creation of Service Clusters

To maximise opportunities from existing synergies and also future opportunities, it is intended that the services in scope be 'clustered' as follows:

- **Recycling Waste Management Services:** Comprising Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal. Keeping the waste services together will ensure that Council's main statutory obligations, that is, the Waste Collection Authority (WCA) and Waste Disposal Authority (WDA) functions, are properly controlled in a single business unit. There are substantial opportunities to further grow the Cardiff Commercial Waste Services trade business and to optimise that with the connections with other treatment and disposal services, to create a competitive and attractive offer to Business'. It is therefore important to maintain the close working between the domestic and commercial waste services to facilitate resource efficiencies and flexibilities between the services, retain compliance, and to also maximise income potential through that flexibility;
- **Neighbourhood Services:** Comprising Street Cleansing, Parks Management, Parks Development and Sport, and Education/Enforcement. The implementation of the Neighbourhood services is an ongoing project with notable service delivery improvement and resource efficiencies achieved to date. Further improvements and operational efficiencies will be achieved through the continued roll-out of the project across the city and ongoing service integration and through commercialisation leading to greater levels of insourcing and trading capacity;
- **Total Facilities Management:** Comprising Hard FM (Building Management and Maintenance Services), Soft FM (Cleaning, Building Support and Security Services) and Pest Control. The clustering of these services provides the opportunity to create a Total Facilities Management business model with the ability to offer a menu of integrated services to both existing and future clients. This menu of enhanced service offerings will sit alongside and compliment the opportunities to be created with other services in scope.
- **Fleet Services:** Comprising the Central Transport Service. Following a two year restructuring programme, there is the opportunity to realise substantial financial benefits using available workshop capacity,



improved fleet management technology (which is essential) and supporting internal service users to improve fleet efficiency. There are also early collaboration opportunities to be explored as stated later in this document;

- **Design Consultancy:** Comprising Projects Design and Development, Highways Design and Delivery, and Landscape Design. The grouping of the three design functions provides the opportunity to increase capacity and achieve operational efficiencies, particularly in respect of increasing the amount of work done by the design teams, and;
- **Highways:** Comprising Highways Operations, Highways Asset Management, and Highways Engineering. It is proposed to keep the main Highway services in a single business unit to build upon existing process efficiencies and develop a 'one Council' approach to highways asset management and maintenance across all Council and public assets and to insource work where new resource efficiency is created.

#### 2.4.2.3 Increase Operational Efficiency and Service Resilience

2.4.2.3.1 The individual Service Strategies identified areas where the modernisation of service delivery is required to achieve operational efficiencies and improve resilience. The areas identified include the better use of technology, the development of a multi-skilled workforce to improve flexibility, and a review of some current working practices to ensure that they meet the requirements of a modern, commercial organisation.

#### 2.4.2.4 Progress and Improve the Commercialisation of Services

2.4.2.4.1 Commercialisation is critical both in understanding the current costs and income and aligning these to delivery outcomes of the Council's service requirements. The further aspect of commercialisation is trading. The ability and readiness to trade is different across the services with variances both in the external competitive market as well as internal capacity and capability. Each service strategy has considered trading opportunities in respect of developing existing streams and also potential new markets over a five-year period.

2.4.2.4.2 Trading, other than growing existing trading streams, is not the short term priority for many of the services given that operational change and retention of third party spend is within the control of the Council and hence the most secure route to achieve savings. However, it is critical that all services become 'fit for purpose' to provide both sustainable

and efficient services in the long term and grow their ability to trade. To do this, the Council will need to:

- Establish a pricing strategy which has clear commercial principles and accounts for both direct and indirect costs including central establishment costs (CEC) to ensure competitive pricing whilst not over-recovering the indirect costs;
- Complete zero-based budgeting for all the services in scope to develop a thorough understanding of the essential expenditure and control of budgets to support the future delivery model;
- Improve the current commercial function: there are existing employee's fulfilling commercial roles – these should be brought together and a Commercial Lead Person appointed to lead the commercial team across all services;
- Develop a business development strategy for each service and across the services in scope with differentiation between immediate opportunities and a longer term strategy once services are fit to trade. A clear understanding of target markets, sectors and customers' needs to be developed as well as sources of trading opportunities. The Council needs to ensure that there is a corporate approach to the internal delivery of services unless by exception. This could be done for a period of time to allow services to become fit for purpose and build economy of scale;
- Ensure that branding is created that optimises dual brand of being public sector and commercial;
- Develop a marketing strategy and website aligned with branding and business development strategy;
- Map out common customers across services both internal and external, and
- Consider the implementation of a policy of supporting the services in scope by ensuring that the Council across all other services seeks to utilise the services in scope rather than promoting third party spend as long as value for money can be demonstrated and the specific services in scope are given sufficient time to become competitive.

#### 2.4.2.5 **Develop an Organisational Brand**

2.4.2.5.1 The strategies have to be underpinned by a robust organisational development plan and management skills analysis for the right fit to ensure the management capacity and capability is in place to deliver the required radical change and new commercial approach.

2.4.2.5.2 The key opportunity to ensuring acceleration in service transformation and the delivery of the financial and non-financial benefits is to continue to build the services:

- With a unique culture, vision and strategy consistent with this group of services;
- With a reputation for being a specialist in these services;
- With a dual brand of being public sector and commercial;
- With employees that have a strong sense of purpose and identity and a positive future;
- Which operates in a growth environment rather than with a service reduction mind set;
- Which encourages and facilitates innovation, and
- Which is an innovation exemplar in Wales.

#### 2.4.2.6 **Build Capacity: Social Value and Workforce Development**

2.4.2.6.1 The service strategies collectively represent a growth strategy in terms of increasing work completed by in-house resources, trading and re-directing agency worker spend. As such, the services require greater capacity and capability, with further workforce planning being required given the current profile in most services.

2.4.2.6.2 The priority will be to identify the skills gaps and build the opportunities identified, use unutilised space within some of the services in scope, and to create new jobs through operational changes.

2.4.2.6.3 In addition to traditional recruitment, there is a substantial opportunity to create social value in order to offer further employment opportunities as follows:

- Apprenticeships and traineeships including graduate training;
- Work placements and experience;
- Opportunities for vulnerable groups, and
- Work with the Probation Service.

2.4.2.6.4 However, the experience of other Councils is that there needs to be a more structured approach to training and development. From the service strategies it is clear that further investment needs to be set aside for training and development to support existing and new staff to develop capacity to meet service needs, as well as health and safety and other legal requirements. This is recognised and being actioned as part of the Council's Workforce Strategy. Additional training costs have been built into the financial analysis (see section 2.5 and Appendix 3). Given the scale of change, a workforce plan needs to be developed that identifies current and future needs and a resourced implementation plan needs to be actioned and invested in to meet the above challenges and opportunities. Further development in terms of commercial skills will also need to be developed and invested in.

#### 2.4.2.7 Establish a strategic direction regarding future service delivery

It is important that a strategic direction for the delivery of each service cluster is clearly identified. For example, building upon the work undertaken to develop the service strategies, opportunities for growth through efficiency, trading, redirecting third party spend back into the Council where it is cost effective to do so, need to be considered as well as collaboration, rather than the continuation of a more commissioning type role which exists in some services.

#### 2.4.2.8 Collaborate with Neighbouring Authorities

The analysis work has shown that collaboration opportunities with neighbouring authorities potentially exist for all services in scope. A summary of these is set out in Table2 below:

Table2 - Collaboration Opportunities

Service Cluster	Key Collaboration Opportunities
<b>Recycling and Waste Management Services</b>	<p>Prosiect Gwyrdd has been achieved through a procured contract basis. The Council could either trade and offer services to other Councils or collaborate in a true partnership to achieve efficiencies through the integration of management and back office services:</p> <ul style="list-style-type: none"> <li>• Commercial Waste;</li> <li>• Strategy function;</li> <li>• Consultancy around domestic collection round modelling;</li> <li>• Boundary integration;</li> <li>• Fleet utilisation;</li> <li>• Increase and secure longer term contracts with neighbouring Councils on</li> </ul>

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	recycling processing, transfer and treatment.
<b>Neighbourhood Services</b>	<p>The main opportunities are to achieve efficiencies through the integration of management and back office services.</p> <p>Further opportunities include: nursery sales; extending the integrated Enforcement function; fleet utilisation; tree management, and bordering grounds.</p>
<b>Total Facilities Management</b>	<p><b>Building Services:</b> The Council has limited internal capacity. Collaboration would be a low priority in the short to medium term. The focus would be on building internal capacity.</p> <p><b>Security and Cleaning:</b> The Council could trade or collaborate with neighbouring authorities and increase commercial opportunities. There are opportunities to achieve efficiencies through the integration of management and back office services.</p> <p><b>Total Facilities Management:</b> If the Council moved to a fully integrated model and could combine the marketing strategy of the Alarm Response Centre (ARC), the Council could then add the offer of the ARC platform and 24/7 control to other Councils alongside the other FM services.</p> <p><b>Pest Control:</b> The Council has one of the biggest services regionally. Other Councils are either ceasing services or offering minimum services. The Council could trade and/or collaborate in the delivery of Pest Control services. This would increase direct income and achieve efficiencies through the integration of management, marketing and back office services.</p>
<b>Fleet Services</b>	<p>Fleet management services could be pooled and overall costs streamlined.</p> <p>In terms of Fleet maintenance then there are opportunities to achieve efficiencies through the integration of management and back office services as well as sharing technology costs.</p> <p>Geography is also an opportunity where depot facilities are close. Engaging with the wider public sector would enable the workshops to operate in the evenings and thereby reduce vehicle off road time and spot hire costs internally while increasing potential to insource external maintenance contracts.</p>
<b>Design Consultancy</b>	The majority of regional Councils have externalised their Design function due to a lack of internal capacity and key skills, as well as recruitment planning issues. There is therefore an opportunity to develop a combined traded service that can be offered to other authorities.
<b>Highways</b>	Neighbouring Councils are experiencing capacity and resilience issues in delivering highway services. All Councils are increasing third party supply chains to compensate.

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	<p>Collaboration would support the achievement of efficiencies through the integration of management and back office services, sharing assets/fleet/plant in some instances. It would also provide greater buying power and improved management of the existing supplier market with the potential to create economies of scale to bring more work back internally and reduce supplier costs.</p>
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2.4.2.8.1 The creation of a platform for collaboration at a service or wider basis provides a choice on whether to seek to engage with other Councils on a partnership or trading basis. The broader the scope of services, the larger the offer to other Councils. There is also opportunity to share the benefits through reducing current costs such as management, administration, back office and some operational costs. By offering a clear gain share mechanism for both Cardiff and other Councils, this could be achieved by starting with smaller scale and building or working through a number of service opportunities with regional authorities. It can be of a scale that works for the services and authorities concerned where shared need for service resilience and financial objectives exist. The feedback from other Councils so far is that collaboration is likely to happen where a suitable partnership model is established. Therefore, the opportunity for collaboration is to create the right environment in which other Councils will want to engage and work with Cardiff towards mutual gains. It is recognised that collaborative models can take time to establish, therefore benefits are profiled later in the five year profiles.

#### 2.4.2.9 Continue with Employee Initiatives

2.4.2.9.1 **Increasing Attendance:** Whilst sickness absence levels in some services are above the APSE benchmark and best practice, the Council has been working on reducing these levels. The analysis of current sickness levels shows the potential to reduce sickness further. This saving on further reduction would be 'cashable' where absence is currently backfilled (for example, Waste Collections) or attained through an increase in productivity in those services where absence is not currently backfilled (for example, Building Services) with associated reduction in external spend. The consistent and robust approach to attendance management in line with the policies must be achieved across all of the services to achieve these benefits

2.4.2.9.2 **Service Integration Savings:** There will be opportunities to secure efficiencies through the consolidation of management and also back office services through the integration of services in the new delivery model.

2.4.2.9.3 **Procurement:** The Commissioning and Procurement work stream highlighted that in general the existing procurement processes and procedures were appropriate albeit some areas for flexibility were felt necessary. The work stream also confirmed that the existing contracts and frameworks were generally delivering value for money. However, it did identify a number of opportunities to deliver further savings in respect of Fleet and Building Services frameworks as they come up for renewal. These opportunities were also identified within the findings of the service strategies and benchmarking. Work has already commenced to deliver these opportunities. Opportunities for efficiencies through the Agency Management framework are also being followed up.

2.4.2.9.4 **Better Use of Technology:** As identified in the Service Strategies, there are opportunities to improve operational efficiencies through the better use of industry wide technology. Examples include the use of mobile working technology, scheduling and rostering software. The adoption and use of technology are essential enablers for the operational changes required to assure the financial benefits and for the services to be fit for purpose to compete and trade.

#### 2.4.2.10 **Accountability for Service Delivery**

2.4.2.10.1 There needs to be clear accountability for delivery of services and financial outcomes. The creation of commercial service delivery obligations and service level agreements with specific and transparent financial, performance, workforce development and service outcomes will provide the basis for monitoring and accountability.

2.4.2.10.2 It is intended that a performance framework be created to capture measurable outcomes that the services in scope could achieve. This would include the following elements:

##### **Financial:**

- Key Financial Statements, Reporting and Critical Financial Metrics;
- Financial improvement measurements;
- Operating costs;
- Work completed in-house;
- External third party supplier spend;
- External trading;
- Collaboration benefits.

##### **Service Delivery Contracts:**

- Each service will have a 'delivery contract' to set out clear service based outcomes including specifications and quality and customer satisfaction measures.

**Employees:**

- Employment numbers/spend;
- Agency spend and overtime;
- Level of employee attendance;
- Level of investment in training and development.
- Health and safety and compliance;
- Employee engagement and satisfaction.

**Social Value:**

- Customer satisfaction;
- Employment – increased number of: apprenticeships; work placements; vulnerable group and Probation Service placements
- Community Safety;
- Contribution to the Council's Children's Services and Adult Social Care;
- Greater utilisation of assets such as Parks to support public health and family activities.

## 2.5 Financial Analysis

- 2.5.1 For the services in scope, to accompany the benefits identified in their Service Strategies, the services also completed a financial template to capture benefits, in addition to the savings of c£5.2m identified across those services in scope for the 2016/17 budget. This was set out, across the 5-year period from 2016/17 to 2020/21. The services were also required to identify any enablers or investments, including any dependency on other Council service areas required in order to secure these benefits. These benefits were enhanced by additional proposals suggested by Peopletoo and tested internally, based on their commercial and improvement experience of transformation programmes in other Local Authorities and their knowledge of the market.
- 2.5.2 The themes of these enabling investments were common to a number of the Service Strategies, for example the application benefits of mobile working and scheduling, and these costs have been aggregated and shown in the tables below. Costs which are Service Strategy specific have been netted-off the relevant benefit. Table 2 below shows projected benefits over four categories of benefits: Operational, Insourcing (external spend), Collaboration or Trading for income. The benefits identified and provided in Table 2 were categorised on the basis that they are "model neutral", in that they are achievable using either the Modified In-house (MIH) or WOC models, or whether the benefit is predominantly associated with the Teckal Exempt Wholly



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Owned Company (WOC) delivery model. The aggregate enabling investments and other over-arching costs are also included in this table and, after deducting these, a net benefit of c£4.8m for the model neutral position is projected over the 5-year period being considered. Further details are included in Appendix 3 but over the 5-year period being considered additional WOC specific benefits of £3.333m have been projected along with additional costs of £0.787m with an increase in net benefits of c£2.5m. Included in the additional benefits of £3.333m is projected collaboration income of £2.655m in later years.

Table 2: Summary of Financial Benefits by Service Cluster

<b>Benefits Category</b>					
<b>Area</b>	<b>Operational (£000s)</b>	<b>Insource (£000s)</b>	<b>Collaboration (£000s)</b>	<b>Trading (£000s)</b>	<b>Total (£000s)</b>
<b>Model Neutral (Benefits)</b>					
Recycling Waste Services	-867		-50	-689	-1,606
Neighbourhood Services	-350			-206	-556
Fleet Services	-1,020	-140		-330	-1,490
Total Facilities Management	-20	-1,000		-255	-1,275
Consultancy Design		-315		-30	-345
Highways	-301	-476			-777
<b>Benefits</b>	<b>-2,558</b>	<b>-1,931</b>	<b>-50</b>	<b>-1,510</b>	<b>-6,049</b>
<b>Model Neutral (Costs)</b>					
One-off "Investment"					1,035
Recurring					247
<b>Costs</b>					<b>1,282</b>
<b>Net Benefits</b>					<b>-4,767</b>
Additional WOC Benefits	-371		-2,655	-307	-3,333

## Infrastructure Services Full Business Case - Final

Additional Costs					787
Additional WOC					-2,546
Net Benefits					
<b>Total Net Benefits</b>					<b>-7,313</b>

2.5.3 Table 2 above indicates that the three areas of Recycling Waste Services, Fleet Services and Total Facilities Management are the most influential in terms of the delivery of the benefits, accounting for c.72% of the projected benefits. In terms of the Benefit Categories, Table 2 highlights that Operational Efficiencies and Insourcing are the most significant categories for the delivery of the projected benefits. This would support an immediate focus on those service clusters as well as the concentration on reshaping services utilising the Enterprise Architecture and Commercialisation investments to maximise the delivery of these operational and insourcing benefits.

2.5.4 To complement the Benefit Category analysis presented in Table 2 above an alternative presentation of the financial analysis that brings together the costs and benefits over the 5-year time horizon considered, is provided in Table 3 below. This illustrates that there is a net cost in Year 1 before the pace of benefit realisation picks-up culminating in the model neutral projected net benefit of c.£4.8m over the 5-year period.

Table 3: Summary of Financial Model

	Yr. 1 (16/17)	Yr. 2 (17/18)	Yr. 3 (18/19)	Yr. 4 (19/20)	Yr. 5 (20/21)	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Recycling Waste Services	3	-266	-752	-363	-228	-1,606
Neighbourhood Services		-74	-174	-179	-129	-556
Fleet Services	-25	-440	-345	-350	-330	-1,490
Total Facilities Management	-24	-486	-531	-138	-96	-1,275
Consultancy Design		-5	-120	-110	-110	-345
Highways	-25	-351	-401			-777
<b>Benefits</b>	<b>-71</b>	<b>-1,622</b>	<b>-2,323</b>	<b>-1,140</b>	<b>-893</b>	<b>-6,049</b>
One-off "Investment"	562	473				1,035
Recurring	85	148	15	0	0	247
<b>Costs</b>	<b>646</b>	<b>621</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,282</b>
Net 'Model Neutral' Benefits	575	-1,001	-2,308	-1,140	-893	-4,767
Additional WOC Benefits	72	7	-1,155	-1,103	-1,155	-3,333
Additional WOC Costs	413	365	10			787

## Infrastructure Services Full Business Case - Final

Net Additional WOC Benefits	485	372	-1,145	-1,103	-1,155	-2,546
<b>Total Net Benefits</b>	<b>1,060</b>	<b>-630</b>	<b>-3,453</b>	<b>-2,243</b>	<b>-2,048</b>	<b>-7,313</b>

- 2.5.5 The costs and benefits which are specific to a Teckal based WOC model, as shown in the bottom rows of Table 3, have a similar financial profile in year 1 with a similar pattern of up-front “enabler” investment being required to ensure the operational and insourcing benefits are realised. The projection for a Teckal based WOC specific model is for net incremental costs of £0.787m for governance and finance systems in Years 1 & 2 with a net benefit of c£2.5m over the 5-year period.
- 2.5.6 The upfront Year 1 “investment” requirements for the “Model Neutral” delivery option to enable in particular the early delivery of the projected operational and insourcing benefits can be split into a number of expenditure categories. These include: -
- Capital Expenditure – £350k: External spend on acquiring the Fleet Management IT (FMIT), IT licences, hard and software to enable the productivity improvements to be delivered through the introduction of mobile working, scheduling, etc.;
  - Set-up costs - £210k: costs of acquiring appropriate commercial expertise to develop commercialisation capacity and culture within the Council, and
  - Recurring costs - £85k year 1: this category includes the additional training and development costs as well as the running costs associated with the productivity enablers outlined above.
- 2.5.7 The funding for the investment costs in 2016/17 can be met as follows: The purchase and implementation for a fleet management system is to be funded from a contribution from an earmarked reserve. It is proposed that the further ICT development for various needs of mobile and scheduling technology and implementation would be treated similarly to invest to save principles with the cost of this investment being recovered over a period of years from cashable savings delivered.
- 2.5.8 The investment of external expertise to transfer commercial understanding and knowledge to the council has been recognised since the Outline Business Case was agreed and provided to inform the full business case. During the Full Business Case work, it became clear that bespoke packages of work will continue to be needed to support any commercial and improvement programme. The funding can be supported through the Organisational Development budget.
- 2.5.9 Appendix 3 aggregates the category and profile information presented in the above tables. This emphasises a number of the issues raised in the proceeding paragraphs in particular:
- The upfront investment cost and associated funding requirements;

- The significance of the services in delivering the overall quantum of projected net benefits;
- The phasing of the benefits with the “internal” facing operational efficiencies and insourcing benefits being the first to be delivered, and
- The additional benefits projected for the WOC model but with these being heavily reliant on collaboration and phased towards the back-end of the 5-year analysis period.

2.5.10 The financial model, by virtue of its looking forward status, is built on a number of projections and assumptions. From a financial perspective the key risks are cost projections being exceeded along with income projections being reduced and or delayed. In this context large scale collaboration, although offering a significant financial prize, does present a higher risk of being able to realise these benefits early in the programme. It will rely on formal inter-organisation relationships to be established that would require political and operational, as well as commercial, agreements. The delivery of benefits through high levels of additional trading income also presents realisation challenges, to ensure services are enabled and are in a position to win external work in a competitive market place.

## **2.6 Conclusion Regarding the Preferred Model of Delivery**

- 2.6.1 Overall there are a number of important issues to consider in terms of the appropriate model to proceed with. These should be considered in the light of a number of key factors, including;
1. The urgent need for service improvements in some areas, and
  2. The delivery of savings and additional income for 2016/17 and 2017/18 remaining the Council’s key priority
- 2.6.2 The establishment of a company governance structure, and financial, ICT and operating arrangements would bear heavily on resources that, in a short space of time, puts at risk the delivery of the changes needed to secure immediate savings. It is important to note that within 2016/17 budget settlement these services in scope are already delivering over £5m in savings, in house, that are additional to these opportunities.
- 2.6.3 The key council priorities are to, reduce operating costs, improve performance, improve customer satisfaction and reduce failure demand while developing income opportunities. It is a programme of change to deliver those priorities which is the pressing matter. The debate between in-house and a Teckal based Wholly Owned Company requires the consideration of governance, speed of change and as importantly the Council’s readiness and preparedness to accelerate to generate more

traded income. It is the delivery of a significant service improvement programme that will drive requisite increases in commercialisation and productivity.

- 2.6.4 **Readiness to Trade:** The service analyses has shown that there is a significant variance of readiness in services to fully trade where cost base analysis, ICT, staff training and marketing strategies are inadequately developed and will take time to do so. The overarching and service strategies identified and detailed areas requiring improvements to support productivity that requires new technology, working practice changes and improved management practices that will all need to be prioritised and addressed in order to deliver the strategic benefits identified. All of these services need to improve cost control, optimise existing and new income streams and to minimise external spend i.e. deliver net financial benefits and savings within 2016/17 and 2017/18. Some services would prioritise service improvements at this stage, such as the neighbourhood based services for example.
- 2.6.5 **Timing of Benefits:** Although the financial assessment indicates that a Wholly Owned Company (WOC) could provide the Council with greater benefits over the full five-year period, the benefits are mainly achievable in years 3-5. The delivery of a Teckal based WOC does not have to be in place in order to achieve the majority of the operational and insourcing benefits as these can be effectively delivered with the right resources and focus within the Council. The risk to this approach will be the failure to deliver the key enablers described and the operating autonomy needed to deliver.
- 2.6.6 **Higher Start-up Costs:** The establishment of a company governance structure, and financial and operating arrangements will bear more heavily on resources of a further c£750K than the model neutral costs, that, in a short space of time, puts at risk the delivery of the changes needed to secure immediate savings. Proposals outlined in the service improvement strategies need to be actioned with key enablers identified and facilitated corporately to avoid delays. Investment and prioritisation of those resources must be a consideration of the decision.
- 2.6.7 **The key priority is the delivery of the necessary significant service improvement programmes that drive increases in commercialisation and productivity and performance to customers and residents. Common requirements for success in either model are consistent management approach to targeted change, effective governance, operational autonomy, ability to trade and collaborate, flexibility, building capacity and commercial skills. This analysis calls into question whether a shift to a company model is appropriate at the present time.**
- 2.6.8 **An alternative approach that addresses the issues raised above and is fully aligned with the service strategies might involve realigning in-scope Infrastructure Services, on an in-house basis, as a matter of priority into two complementary programmes of change:**

1. Developing Cardiff's Commercial Services

This Full Business Case analysis has highlighted the need to build commercial understanding and capacity within the Council. This would require the embedding

of a new commercial culture to ensure that managers and all employees have a good understanding of service costs with an appropriate pricing strategy put in place to facilitate targeted growth in income.

Additionally, in respect of those services where the potential to grow income is greater (as identified in the service strategies), it is important that a consistent commercialised management approach be developed for commercial services to address fundamental issues around cost control, supplier spend control, pricing, branding, marketing and performance. Important questions have also been raised about whether the Council is striking the right balance between services that are delivered by contractors and those that are delivered in-house.

It is proposed that Cardiff Commercial Services should consist of:

- Recycling Waste Management Services: Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal;
- Fleet Services: Central Transport Service and Fleet Management;
- Total Facilities Management: Hard FM (Building Maintenance), Soft FM (Cleaning, Security and Building Management), and Pest Control;
- Projects Design and Development (PDD).

In effect, this would bring together services that are partially commercialised, or else have commercial potential but are in need of rapid transformation. It is proposed that a single management structure should be created, based in the Economic Development Directorate, to ensure consistency of approach, drawing on the commercial capacity and expertise that already exists in the wider directorate.

It is proposed that a Cardiff Commercialisation and Accelerated Improvement (C&AI) Programme be established to drive commercialisation and productivity across the Council as a whole. The Programme would be governed by a Board comprising relevant internal Directors and potentially external representatives with appropriate commercial skills and experience. The programme would be supported by an Assistant Director who would report to the Board and be responsible for operational implementation of service improvement strategies in the Commercial Services area.

## 2. Transforming Neighbourhood Services

Early successes achieved through the new Neighbourhood Services approach demonstrates that this approach should be continued and developed to the next level. This is not an argument to cease the ongoing operational changes but to accelerate the completion of the integration of the relevant services, in particular, Highway Operations, Parks Services, Street Cleansing and all environmental enforcement services. To date, work has focused upon the front line operations. However, there is now a need to also focus upon the integration of the management, back office and support services, to finalise operational expansion

city wide and deliver the commercial opportunities in line with service strategies to ensure delivery of 2016-17-18 savings plans and proposals.

By taking the additional steps to deliver a City wide approach necessary and by adopting the efficiency principles of the service strategies, service improvements to Cardiff's citizens would be visible for areas of highway maintenance, street cleansing and parks. In addition, it would provide the resilience needed in the face of the financial climate the Council is operating within.

The priority for this group of services is to accelerate transformation. Its progress therefore should be set against operational, financial and performance targets in a similar manner to the Commercial Services clusters, with clear governance and accountability established. The further transformation of Neighbourhood Services would take place within the City Operations Directorate and continue the service changes that have already successfully taken place in 2015/16.

### 3. Financial Case

#### 3.1 Delivery of Operational Benefits and Timescales for Realisation

3.1.1 The Cardiff Commercial Services Programme would be implemented with effect from June 2016. A high level transition plan has been prepared and this is enclosed in Appendix 4. However, it is important that a detailed plan for the delivery of each service strategy is prepared and those for services in the first phase of the commercial programme were being prepared at the time this document was finalised.

3.1.2 Table 4 below provides an overview of how the financial benefits and costs will be phased over the period 2016/17 to 2020/21. Appendix 3 contains further information on costs and benefits, in particular on the mix of benefit categories over the service clusters.

Table 4 – Timing of Projected Benefits

	Yr. 1 (16/17) (£000s)	Yr. 2 (17/18) (£000s)	Yr. 3 (18/19) (£000s)	Yr. 4 (19/20) (£000s)	Yr. 5 (20/21) (£000s)	Total (£000s)
<b>Benefits</b>						
Operational Benefits	0	-821	-887	-511	-340	-2,558
Insourcing Benefits	-50	-678	-832	-182	-190	-1,931
Collaboration Benefits	0	0	-50	0	0	-50
Trading Benefits	-21	-124	-555	-447	-363	-1,510
<b>S-T : Model Neutral Benefits</b>	<b>-71</b>	<b>-1,622</b>	<b>-2,323</b>	<b>-1,140</b>	<b>-893</b>	<b>-6,049</b>
<b>Costs</b>	<b>646</b>	<b>621</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,232</b>
<b>Net Benefits</b>	<b>575</b>	<b>-1,101</b>	<b>-2,308</b>	<b>-1,140</b>	<b>-893</b>	<b>-4,767</b>

#### 3.2 Implementation Costs

3.2.1 The implementation of the proposed way forward would be a significant piece of work that will require the allocation of appropriate resources so it is progressed in a focussed and timely manner. This would continue to require the Council's Organisational Development Team, Human Resources, ICT and Enterprise Architectural staff resources. There would also need to be external commercial support to ensure that the required actions detailed under the 'Cardiff Commercial Services' and associated 'Organisational Change and Branding' work previously described are effectively implemented with a particular focus on transferring commercial skills and knowledge to existing Council employees. It is recommended that a budget of c.£250K be established for the purpose of securing this required external commercialisation



input. Additionally, an estimated investment of c.£35k is required for branding and the establishment of a website for Cardiff Commercial Services.

- 3.2.2 Appropriate budgets would need to be approved for the implementation of the new enterprise architecture proposals and commercial website detailed in this document. These would be subject of detailed business cases for invest to save or earn that the investment Review and Commercialisation Boards would consider as the programme rolls out. Expenditure would be required to fund the initial set-up costs, which are estimated at £350k to cover 2016/17 and 2017/18. Additionally, an initial investment of c£150k would be required for the implementation of the new FMIT system for the Central Transport Service.

### **3.3 Recurring costs**

- 3.3.1 The on-going costs of licences and equipment required to support the productivity benefits from the introduction of mobile working, scheduling, etc. have been estimated to rise to £122k over a three-year period from 2016/17 to 2018/19. The importance of staff training and development has been emphasised elsewhere in this Business Case. An annual provision of £100k has been included to fund this activity.

### **3.4 Corporate Management Costs**

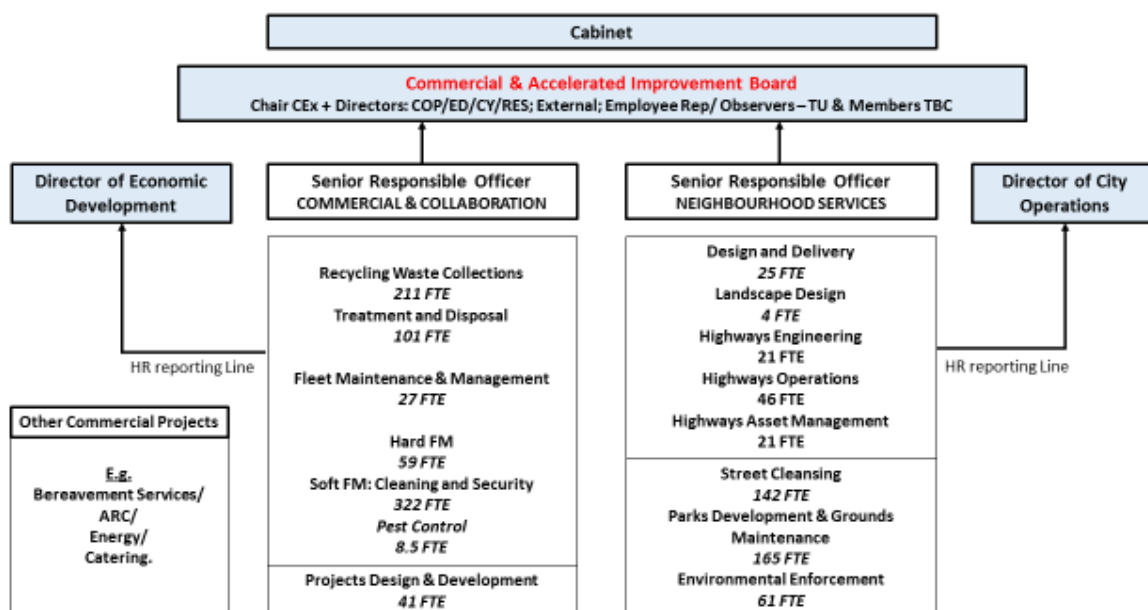
- 3.4.1 It is envisaged that the Corporate Management costs would not change as a result of the implementation of the Modified In-House proposals, in particular, the commercialisation programme. However, as previously highlighted, a key factor behind the success of the programme would be the embedding of a more customer focused, commercial approach to the delivery of the services. To facilitate this cultural and behavioural change, as stated in section 3.2, the financial projections include a provision of 250k for the procurement of commercial expertise for an initial transition period.

## 4 Management Case

### 4.1 How the Changes will be Governed

- 4.1.1 As previously identified, the implementation of the proposed service strategies and Commercial and Neighbourhood services workstreams would be overseen by a Commercialisation and Accelerated Improvement Board comprising the Chief Executive, relevant Directors, and appropriate external representatives as required, with a mandate to drive commercialisation and productivity across the Council as a whole. The Cardiff Commercial and Collaboration workstream would be led by an Assistant Director (Commercialisation and Collaboration) who would report to the Board and be responsible for operational implementation of the service improvement strategies, based within the Economic Development Directorate.
- 4.1.2 The Neighbourhood Services workstream would be led by the City Operations Directorate and be accountable to the Commercialisation and Accelerated Improvement Board (C&AI) for its delivery. The continued transformation of Neighbourhood Services would take place within the City Operations Directorate across Highways, Parks Development and Maintenance, Street Cleansing and Enforcement and would accelerate the service changes that have already successfully taken place in 2015/16.
- 4.1.3 The Board would also be responsible for driving accountability, support resources and acceleration for other council wide projects for commercialisation or rapid improvement. Examples of this are other activities within the areas of Communities (Alarm Response Centre (ARC)) and City Operations (Bereavement Services, Energy), and also catering services across a number of directorates.
- 4.1.4 A diagram of the proposed governance/organisation structure is shown in Figure 1 below:

Figure1 – Proposed Governance Structure



4.1.5 The performance of the Board would be critical to the success of the Modified In-House approach initially being adopted. In line with Grant Thornton’s publication *‘Spreading their wings. Building a successful local authority trading company’*, areas where the Board would need to focus its attention in the early days of the new arrangements would include the creation of a commercial culture, creating and promoting the brand, and ensuring costs are tightly controlled. Hence, it would be important that the Board has the appropriate balance of skills, commercial experience, independence and knowledge of the business. For commercial reasons, consideration needs to be given to the inclusion of appropriately experienced external representatives.

## 4.2 How the Changes will be Managed.

- 4.2.1 The proposed Organisation Structure for the Commercial Programme at its outset is as shown in Figure 1. above
- 4.2.2 Appointments to posts within the organisation Structure would be made in accordance with the Council’s Policies and Procedures. Lines of accountability throughout the services will be clear and individual responsibility for delivery of implementation aligned within the service delivery plans and both the Board’s and corporate performance monitoring methods.
- 4.2.3 The Board would report to the Cabinet and Assistant/ Directors would report to the relevant Cabinet Portfolio Members in the regular business operation. The Cabinet

Member for Finance and Resources would be responsible for the commercialisation of services.

### **4.3 Implementation Timetable**

4.3.1 As stated in section 3.1, the proposed programme for the implementation of the commercialisation programme is included in Appendix 4. The key milestones are as follows:

- Cabinet approval of the Full Business Case –June 2016
- Transfer of Services to identified workstreams and Directorates -June 2016
- Establishment of the Commercialisation and Accelerated Improvement Board (C&AI) –June 2016
- Commence implementation of Services Strategies –June 2016
- C&AI Board approval of Service Improvement Plans –July 2016
- Agree performance measures –July 2017
- Start commissioning of an FMIT system –September 2016
- Prepare and approve 2017-2021 Business Plans –September 2016 –January 2017
- Complete commissioning of new enterprise architecture –31st March 2017
- Independent review of progress against performance –August 2017
- C&AI Board to consider recommendations arising from the independent review – September 2017

### **4.4 Stakeholder Engagement**

4.4.1 At the outset of the project, the engagement of key stakeholders, including Members, Unions, staff and Cardiff residents, was identified as an important factor in the ultimate success of the project. A Stakeholder Engagement Plan was therefore developed and implemented at an early stage and this has been reviewed and updated on a regular basis as the project has progressed. A Stakeholder Engagement Strategy was also prepared and implemented at the start of the Full Business Case stage of this project.

4.4.2 It is essential that a high level of stakeholder engagement is retained as the project progresses and that communications would support all stakeholders. In this respect, the next step would be to update the Communications Strategy and Plan to ensure information continues to be provided in a timely effective way. A variety of channels (i.e. enhanced social networking methods as well as ensuring strong verbal and written communications) would be used to communicate to all identified stakeholders and to continue to support the project through its commercialisation programme.

4.4.3 It is proposed that a Memorandum of Understanding which sets out the commitments of the Council and Trade Unions towards working collaboratively together to address the service improvements required to achieve the programme of reform be completed.

## 4.5 Reporting and Monitoring

4.5.1 The Assistant Director (Commercialisation and Improvement) would be responsible for the management and performance reporting on the services whilst transferred to the Commercialisation Programme. Directors would remain responsible for the management and performance reporting on services prior to, and following their return from (if appropriate), the Programme.

## 4.6 Key Enablers

4.6.1 The service strategies identified the 'key enablers' required for the implementation of the strategies. Some of the key enablers identified are common across many of the service strategies prepared and hence it is important these are promptly commenced/implemented to achieve the target strategic benefits. These 'key enablers' include:

- Implementation of a Fleet Management Information Technology package for the Central Transport Service;
- Implementation of the new enterprise architecture including rostering, scheduling and mobile working technology to facilitate operational efficiencies and improve customer services;
- Development of a commercial brand together with a commercial website;
- Completion of a review of the Fleet and Building Services Frameworks;
- Provide strong support in respect to the introduction of apprenticeships and developing links with the NEETs agenda; The adoption of a 'One-Council' approach to asset management, investment, development and maintenance in respect of the Council's infrastructure assets;
- The completion of zero-based budgeting for all the services in scope including the identification of clear income and cost assumptions to develop a clear understanding of expenditure and income budgets and how they will support the delivery of the future strategic approach;
- The on-going effective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies;
- Support to explore collaboration opportunities with other council's and public bodies, and
- Appropriate internal and external resources to support the programme.

## 4.7 Management of Risk

4.7.1 A fully detailed risk register was prepared by the Project Team at the outset of the project and this has been reviewed on a regular basis as the project has commenced. Full details of these risks can be found on the Council's Programme and Project Database.

- 4.7.2 The management of risk would remain a key priority throughout the commercialisation programme. The key risks in relation to the implementation of the commercial programme are shown in Appendix 4.

## 5. References

- Cabinet Paper 15 May 2014 – *‘Establishing a Programme of Organisational Change for the City of Cardiff Council’*
- Cabinet Paper 20 November 2014 – *‘Infrastructure Services Alternative Delivery Models’*
- Cabinet Paper 16 July 2015 – *‘Infrastructure Services Alternative Delivery Models’*
- Scrutiny Paper 1st December 2015 – *‘Alternative Delivery Model – Infrastructure Services. Building a successful local authority company – Governance Options’.*
- Consultation Results and Feedback Report on the City of Cardiff Council’s 2016/17 Budget Proposals. February 2016
- *‘Spreading their wings. Building a successful local authority trading company’.* Grant Thornton

## **6. Appendices**

Appendix 1 - Bevan Brittan Advice Note of Delegation of Council Functions to Wholly Owned Company

Appendix 2 - Service Summaries

Appendix 3 - Financial Information

Appendix 4 - High Level Implementation Plan

Appendix 5 – Commercial Programme Risk Register



**Appendix 1: Bevan Brittan Advice Note of Delegation of Council Functions to Wholly Owned Company****ADVICE NOTE**

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**Advice requested**

- A. Cardiff County Council ("the Council") is considering the future delivery models of various services. In order to determine the client function for any wholly owned company, if established, it is necessary to identify which functions can be delegated to such a wholly owned company, and what must be retained by the Council.

**Background**

- B. The Council considers that the following services are in scope to be delegated to a wholly owned company, if established:
1. Central Transport Services
  2. Hard FM
  3. Highway Asset Management
  4. Engineering (Highways)
  5. Highway Operations
  6. Parks & Sport
  7. Projects, Design & Development
  8. Pest Control
  9. Soft FM
  10. Street Cleansing
  11. Domestic Waste Collections
  12. Waste Education and Enforcement
  13. Waste Treatment & Disposal
  14. Commercial Waste Collections
  15. Infrastructure Commercial Design Service

together known as "the Services".

- C. In carrying out the Services, the Council is performing certain statutory functions which are set out in a variety of different statutes. The Council has undertaken an extensive exercise of detailing the function of each of the Services to allow us to analyse which of those Services

involves the Council exercising a statutory duty. Following a detailed analysis, and clarification with the client team, we have produced a spreadsheet detailing each of the Services, their relevance to the Council, any relevant legislation, the extent to which it applies to the Services to be transferred to the Company and to what extent the Council can delegate the function.

- D. The drafting of each particular function in the various pieces of legislation is unique, but it is possible to distinguish between -
  - 1. requirements to take a decision; and
  - 2. requirements to provide services.
- E. This distinction is of key legal importance as (explained further below) a local authority has no general power to delegate its decision making. The courts have defined the "functions" of a local authority as embracing all the duties and powers of a local authority. In practice, it can be difficult to isolate the exercise of the function in relation to a particular service.
- F. The purpose of this note is to summarise the general advice about delegation of functions, summarise the position captured within the spreadsheet and to detail practical next steps for the Council.

## Advice

### 1 DELEGATING STATUTORY FUNCTIONS

- 1.1 The general position is that, in the event that a duty is placed on a local authority to take a decision, that decision cannot be taken by anyone else as there is no general power for the decision to be delegated.
- 1.2 Under Section 101 of the Local Government Act 1972 (and the Discharge of Functions Regulations for executive functions) an authority may arrange for the discharge of functions but a local authority cannot transfer that decision-making power to anyone else. In practice, this means that a local authority can commission services in support of the exercise of a function, obtain supporting information and an expert opinion from others, but the final responsibility for taking the decision must remain with the local authority.
- 1.3 There are some exceptions to the general position. Namely section 70 of the Deregulation and Contracting Out Act 1994 enables the Secretary of State to make an Order which allows local authorities to arrange for the discharge of their functions. A number of such orders have been made, including the Contracting Out (Highway Functions) Order 2009/721 which relates to some of the Services.
- 1.4 In respect of the provision of services, the duty to secure that the service is provided is placed on the local authority, but it may have the discretion as to how it secures that the service is provided. So, the local authority has broad powers to employ its own staff for the discharge of a function as well as a broad power under Section 1 of the Local Government (Contracts) Act 1997 to enter into contracts for services to ensure that this function is discharged. So, unless there is a specific requirement to use its own staff, the local authority has a choice whether to secure the provision of the service by its own staff or by procuring contractors to provide that service. It is important to note that, notwithstanding the route the Council chooses, the Council remains under a duty to secure that the service is provided to the standard required by legislation. It is therefore prudent for the Council to ensure that it has sufficient contractual protection to cover circumstances where liability is incurred (even in circumstances where the service is to be provided by a wholly owned council company).

- 1.5 There are also a number of functions which the Council will need to consider carefully when deciding whether these particular functions can be delegated in their entirety, if it at all, to any wholly owned company, if established.

## **2 FUNCTIONS OF CONCERN**

- 2.1 This section of our advice highlights certain functions which raise particular issues which the Council needs to note/consider.

### **2.2 Notices of dedication under section 25(6) Highways Act 1980**

- 2.2.1 We understand that as part of the Highway Asset Management service, the Council currently issue Notices of Dedications, and it is intended that the Council delegate this to a wholly owned company, if established.

- 2.2.2 Under section 25(6) of the Highways Act 1980 ("the Highways Act"), as soon as the dedication of a footpath, bridleway or restricted byway, the local authority is required to give notice of the dedication. As the section specifically refers to the local authority this duty cannot be delegated.

- 2.2.3 We understand that the number of such notices per year is low, on average five, and as such the Council may want to consider the approach discussed at paragraph 3.1

### **2.3 Defending Claims Made Under Section 41 Highways Act 1980**

- 2.3.1 As part of the Highway Asset Management service, the Council currently manage and investigate highway claims. It is intended that this activity be transferred to a wholly owned company, if established.

- 2.3.2 The relevant legislation is Section 41(1) of the Highways Act which imposes a duty on a highway authority to maintain a highway, maintainable at public expense.

- 2.3.3 Section 41(1) is subject to the Contracting Out (Highway Functions) Order 2009, and provides that this function may be contracted out to a third party provider. However, this does not extend to defending Section 41 claims.

- 2.3.4 The decision in a court case (which is very old but still the law)<sup>1</sup> established that where a highway authority has contracted with a third party to maintain the highway and an accident occurs due to the contractors' failure to discharge the duty under Section 41 the potential claimant need only sue the highway authority. In the event that such a wholly owned company maintained the highways and failed to discharge the duty under section 41 of the Highways Act 1980, the Council could be sued notwithstanding that it has delegated that duty.

- 2.3.5 Section 41(1) of the Highways Act 1980 does provide a possible defence to a highway authority that has been found to have failed its duty under Section 41(1).

- 2.3.6 This is a non-delegable duty in terms of statutory responsibility and any claims must be made against the Council only and the Council will therefore be required to ultimately defend such claims. We refer to advice provided on this in an email dated 4 January 2016.

### **2.4 Compiling a report required under Road Tunnel Safety Regulations 2007**

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<sup>1</sup> Hardaker v Idle DC [1896] 1 Q.B 335

- 2.4.1 The 'Structures and Tunnel Management' function, which falls within the Highway Asset Management service, includes managing the highway structures throughout the city.
- 2.4.2 The relevant legislation, regulation 6 of the Road Tunnel Safety Regulations 2007, requires a local authority to compile a report of fires and accidents in tunnels and send such report to the Secretary of State every two years. In practice, therefore, this duty cannot be delegated to a wholly owned company.
- 2.4.3 As discussed further under paragraph 3, a way forward could be for a wholly owned company, if established, to prepare the report but the final sign off and submission to the Secretary of State being reserved to the Council.

## **2.5 Duty under section 83 New Roads and Street Works Act 1991**

- 2.5.1 As part of the Engineering (Highways) service the Council currently carry out a range of works. As a result of carrying out such works, the provisions of the New Roads and Street Works Act 1991 are invoked.
- 2.5.2 Under section 83 of the New Roads and Street Works Act 1991, where works are likely to affect apparatus in the street the proposed vehicle would need to take all reasonably practicable steps to give the owner of the apparatus reasonable facilities for monitoring the execution of the works and to comply with any reasonable requirement requested by the owner.
- 2.5.3 A failure to comply with this duty can result in proceedings. Such proceedings could be made against the Council, as the ultimate duty rests with the Council. We note that the proposed vehicle does not intend to carry out work relating to third party assets. However, given that the duty has a low threshold i.e. the works only need to be likely to affect apparatus in the street there may be circumstances where the duty becomes engaged.
- 2.5.4 In such circumstances the Council should ensure it has robust contractual provisions to protect its position.

## **2.6 Compensation payable under the Highways Act 1980**

- 2.6.1 There are a number of relevant functions under the Engineering (Highways) Service which engage numerous duties of the Highway Act. Failure to comply with certain duties (such as section 97, 100 and 101) can result in compensation being owed to a person who suffers damage due to the failure to comply. We understand that whilst a number of claims are made, only a small proportion result in monies being paid.
- 2.6.2 The Highways Act refers to the highway authority being liable to pay such compensation. The Council cannot therefore delegate this liability, and will need to consider the mechanism by which it can claim such monies from a wholly owned company, if established (see paragraph 3.2).

## **2.7 Wildlife and Countryside Act 1981, section 28H ad 28I**

- 2.7.1 We understand that as part of the Parks and Sport Service, the Council currently carry out a range of ground maintenance work, including at the seven sites of Special Scientific Interest which the Council is responsible for.
- 2.7.2 Under section 28H of the Wildlife and Countryside Act 1981 local authorities are under a duty to give notice to Natural England before carrying out operations likely to damage the special interest of a Sites of Special Scientific Interest, even if they would not take place on Sites of Special Scientific Interest land and restore a site

to its former condition, as is reasonably practicable, if operations cause damage. They are encouraged to consult Natural England over proposals on or affecting Sites of Special Scientific Interests. In the event that Natural England advise against the operations, then a local authority can give permission for the operations and if so it must give notice of such permission to Natural England.

- 2.7.3 There is a similar provision contained in section 28I. Both duties to give notice must remain with the Council and cannot be delegated to the proposed company. In such circumstances the Council may want to consider the approach detailed in paragraph 3.1 below.

## **2.8 Issuing notices under the Prevention of Damage by Pests Act 1949**

- 2.8.1 We understand that as part of the Pest Control service the Council serve notices in a range of circumstances.
- 2.8.2 Under section 4 of the Prevention of Damage by Pests Act 1949, a local authority has the power to serve a notice requiring an occupier of land to take steps to destroy rats and mice on their land. As the section specifically refers to a local authority, the power to issue such notices cannot be delegated to a wholly owned company, if established.
- 2.8.3 In the event that such a wholly owned company, if established, issues the notice it could be challenged on the basis of being invalid as it has not been issued by the correct entity required by the legislation. The Council may want to consider using the retained client to issue such notices, as described further in paragraph 3.1

## **2.9 Public Health Act 1936, issuing of notices**

- 2.9.1 Section 83 of the Public Health Act 1936 provides that should a local authority receive a report from its officers or following other information in its possession that a property is 'filthy or unwholesome condition as to be prejudicial to health' or 'are verminous' it shall give notice to an owner or occupier of premises requiring him to take action to remedy. We understand that within the scope of the Pest Control service the Council currently issue such notices.
- 2.9.2 The power to issue the notices specifically refers to the local authority and therefore cannot be delegated to a wholly owned company, if established.
- 2.9.3 However, the Council may want to consider the role of the retained client in using such notices. This is dealt with further in paragraph 3.1.

## **2.10 Environmental Protection Act 1990 ("the 1990 Act")**

- 2.10.1 We understand that the Waste Education and Enforcement service carries out a number of investigatory and enforcement functions in order to encourage recycling, correct responsibilities towards waste and support cleaner streets.
- 2.10.2 There a number of relevant enforcement powers under the Environmental Protection Act 1990, relating to the Waste Education and Enforcement Service. Some offences, such as the littering offence under section 87 of 1990 Act permits an 'authorised officer' of a littering authority to make a determination as to whether a person has committed an offence under section 87 and provide a notice allowing the person to discharge their liability by paying a fixed penalty. The definition of 'authorised officer' permits an employee of a wholly owned company, if established, to carry out this enforcement, provided that the Council has given authorisation in writing.

- 2.10.3 Other offences under the 1990 Act involve a more detailed process. By way of example, section 45(1)(a) of the 1990 Act imposes a duty on the Council to arrange for the collection of household waste. Under the 1990 Act, an 'authorised officer' of the Council must issue the notice. An authorised officer could be an employee of a wholly owned company, if established, provided that authorisation has been provided by the Council and such authorised officer could also give a written warning to a person who has not complied with the notice issued by the Council. In the event that the written warning is not complied with, the authorised officer could require the person to pay a fixed penalty.
- 2.10.4 As the Council will need to serve a notice before the power to issue the fixed penalty notice is engaged, the Council may want to consider what role the retained client can have in such circumstances. Moreover, as the statutory duty remains with the Council, the Council will need to be comfortable that the Company is discharging this duty in full compliance with the legislation.

### **3 COUNCIL CONSIDERATIONS**

There are a range of methods available to the Council to arrange for certain elements of the Services, including some of those highlighted in paragraph 2 of this note, to be carried out by a wholly owned company, if established. There will also be circumstances where, whilst the particular duty remains with the Council, such a wholly owned company, if established, can be contracted to provide services to support the function. The Council will need to ensure that it has robust contractual provisions to protect its position in such arrangements. These methods have been considered and detailed in the spreadsheet and are set out in detail below: -

#### **3.1 Using the retained client**

- 3.1.1 We have highlighted a number of areas where the Council currently issue notices and the intention is for this to be carried out by a wholly owned company, if established. Without repeating the advice in paragraph 2 of this note, the general position is that where the power or duty to issue such notices is reserved to the Council the power/duty cannot be delegated.
- 3.1.2 In such circumstances, the Council may find it helpful to consider whether such a wholly owned company, carries out the administrative elements of the process (which is permitted in law), but the actual serving or issuing of the notice is reserved to the Council.
- 3.1.3 By way of example, as detailed in paragraph 2.8, we understand that the Council currently issue notices pursuant to the Public Health Act 1936. In practice, the information leading to the notice could be provided by a wholly owned company, if established. However, the actual issuing of the notice must be undertaken by the Council and such a wholly owned company, could take steps leading up to the issue of the notice, for example drafting the notice; however, the notice itself will need to be issued in the name of the Council and by the Council, relying on, and taking into account the information and background provided by the company
- 3.1.4 We understand that the Pest Control service usually carries out this work as a joint exercise with the Housing Enforcement team. Consequently, the Council may want to consider whether Housing Enforcement will have the capacity to issue all notices going forward with the administrative support being provided by a wholly owned company, if established.
- 3.1.5 This approach could also be used for other service areas, such as those detailed in paragraphs 2.1, 2.6 and 2.7. In the event the Council considers adopting this approach, we suggest that it evaluates the capacity of the retained client. Following the establishment of a wholly owned company, if established, will there

be sufficient employees of the Council who have adequate knowledge, skill and capacity to issue and sign such notices?

### **3.2 Use of robust contractual provisions**

3.2.1 The Council should be alive to the fact that where it can delegate elements, or the whole, of a function the duty will still remain with the Council (notwithstanding that the proposed trading vehicle is providing the service). In the event that there are allegations that the duty has not been complied with, and in order to give the Council comfort that the duty is being complied with, the Council would want to be able to rely on contractual provisions contained in the documentation governing its relationship with the a wholly owned company, if established.

3.2.2 By way of example, under the Highway Operations Service the Council has a duty to keep relevant highways and land clear of litter and refuse (section 89 Environment Protection Act 1990). The Council may consider including an obligation on a wholly owned company, if established, to comply with this duty and indemnities to allow it to recover losses it may incur as a result of a breach of this duty attributable to such a wholly owned company.

3.2.3 In practice the indemnity would act as a promise made by the proposed trading vehicle to reimburse the Council in the event that a particular liability arises. Although some of these provisions can appear somewhat academic, given that the Council owns the company, it is important to make the clear legal distinction between the Council as a statutory body, and the company as a trading vehicle.

### **3.3 Detailed Specification**

3.3.1 To ensure that both parties are clear about their obligations and the extent to which they are providing a particular service, it will be important for the Council to draft a detailed service specification.

3.3.2 The Council may find it helpful for the service specification to set out the legal duties relating to the Services and what is required of a wholly owned company, if established, to ensure its compliance of those legal duties. This will ensure that such a wholly owned company, is clear as to its obligations and any indemnities can be directly linked to the relevant legal duty.

## **4 CONCLUSION AND NEXT STEPS**

4.1 The Council will now need to consider each of the Services and the comments that we have provided in the spreadsheet. Certain areas will be more high profile and subject to scrutiny than others. Any decision on how the Services can be transferred to the wholly owned company, if established, will need to bear this in mind.

**Bevan Brittan LLP**  
**28 January 2016**



## Appendix 2: Individual Service Summaries for all Service Areas in Scope of the Infrastructure ADM project

Service Title	Central Transport Services				
Service Description	Enabling service with responsibility for fleet management and maintenance on behalf of Council services				
Statutory Services Provided	<ul style="list-style-type: none"> <li>Fulfilment of statutory obligations placed against all vehicles i.e. MOT testing, HSE compliance</li> </ul>				
Non-Statutory Services Provided	<ul style="list-style-type: none"> <li>Fleet management; parts procurement; vehicle repairs (scheduled and non-scheduled); legislation and compliance; management of external/partnership revenue streams; management of fuel usage and management of service level agreements with other service areas</li> </ul>				
Functions with Volume of Demand	<ul style="list-style-type: none"> <li>Management &amp; admin: c. 900 vehicles</li> <li>Transport co-ordination: c. 900 vehicles</li> <li>Repair and maintenance: 1,985 inspections, 5,895 repair and maintenance jobs, 531 MOTS</li> <li>Fabrication: 279 jobs</li> </ul>				
Customers and Client Information	<ul style="list-style-type: none"> <li>900 vehicles (600 inspected once a year, large good vehicles inspected every 8 weeks creating around 1,000 inspections per annum)</li> <li>Internal: All Council directorates using Council vehicles</li> <li>External: general public for MOT service, repairs and servicing for internal customers</li> </ul>				
Operational Model	<ul style="list-style-type: none"> <li>In-house model across all functions managing external suppliers for some functions</li> </ul>				
No. of FTEs	<ul style="list-style-type: none"> <li>27</li> </ul>				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	8,977	9,043	-66	-10	-56
<b>2015/16 (Budget)</b>	7,675	7,613	62		
Operational Facilities	<ul style="list-style-type: none"> <li>Coleridge Rd</li> <li>Lamby Way</li> <li>Wedal Road</li> </ul>				
Future Strategy	<ul style="list-style-type: none"> <li>To drive efficiencies within the Council's transport fleet through the installation and operation of an effective FMIT system;</li> <li>To improve operational performance in relation to CTS' s work for internal customers;</li> <li>To establish sustainable and profitable income streams from the external market;</li> <li>To centralise and improve control over vehicle hire to ensure that vehicles are only hired when no existing internal capacity exists;</li> <li>To review work that is currently outsourced (e.g. hydraulic hose maintenance, LOLER testing, etc)</li> <li>To undertake a review of current vehicle procurement policy and collaborating with other Council Services to deliver more cost-</li> </ul>				



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	<p>effective solutions to vehicle requirements;</p> <ul style="list-style-type: none"> <li>• To support the Council's internal service users to drive efficiencies in fuel management, vehicle utilisation, and driver performance;</li> <li>• To identify employment opportunities including, apprenticeships, work placements and working with Probation Services</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Need prompt authorisation of the procurement of an FMIT package.</li> <li>• Need to realign service area user budgets to reflect current requirements.</li> <li>• Need to review procurement frameworks to establish whether better VFM solutions can be established including approaches to leasing and/or purchasing;</li> <li>• Need to provide appropriate assistance to other service areas to drive efficiencies in fuel management, vehicle utilisation, and driver performance</li> <li>• Need to access the support provided through HR People Services in respect of introduction of apprenticeships and developing links with the NEETs agenda;</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• No or late implementation of FMIT system;</li> <li>• Insufficient Stakeholder Management;</li> <li>• Not supporting other Council internal service users to drive efficiencies in fuel management, vehicle utilisation, and driver performance.</li> <li>• Insufficient support for collaborative models</li> </ul>

<b>Service Title</b>	<b>Soft FM (Cleaning, Building Management, Portage &amp; Security Services)</b>
<b>Service Description</b>	<p>Enabling service with responsibility for security and building management and cleaning offices and buildings across the Council. This service comprises of multiple functions listed below.</p> <p><b>Business Support Team</b> which provide business support to FM in regard to Health and Safety; Quality – BSI, ISO; Marketing; new business and events; Performance management; and Training.</p> <p><b>Technical on-site maintenance team</b> which oversee the daily management, routine, and planned maintenance and technical maintenance of the gas fired steam boilers. Also provides hot water and heating to City Hall.</p> <p><b>Technicians (core buildings)</b> which carry out low level maintenance within core buildings e.g. basic plumbing and carpentry</p> <p><b>Building Management Portage team</b> which oversee room set ups, housekeeping, health and safety checks, reception cover, onsite daily security, parcel logging, and delivery.</p>

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	<p><b>Facilities Manager/Coordinators</b> which ensure compliance with Statutory Obligations, manage contractors ensuring H&amp;S compliance and manage day to day business continuity issues within the building liaising with Service Areas and coordinating work for the team.</p> <p><b>Reception team</b> which provide a reception service at County Hall only. Day to day dealing with visitors and staff access requirements.</p> <p><b>Storekeeper</b> who deals with the day to day procurement and delivery of stock items.</p> <p><b>Yardman</b> who assists the storekeepers with loading and unloading materials; and general yard duties.</p>				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Provision of cleaning services satisfies the Council's 'Duty of Care' for Regulation 9 of Workplace (Health, Safety and Welfare) Regulations 1992</li> <li>Provision of security satisfies the Council's 'Duty of Care' in relation to the Health and Safety Act 1974 as well as insurance cover obligations</li> <li>Provision of building management satisfies the Council's 'Duty of Care' for the Health and Safety at Work Act 1974 and the Workplace Health and Safety Regulations 1992</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>All functions carried out are non-statutory in nature but are necessary to satisfy legislative responsibilities as detailed above</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>Demand is stated in hours, which totals approx. 549,000.</li> <li>Cleaning of schools and other council premises: 449,017 hours estimated for current year</li> <li>Security including static guarding, mobile security, key holding for schools and other council premises: 75,348 hours estimated for current year</li> <li>Caretaking including static caretaking on non-school sites and relief caretaking for schools: 25,000 hours estimated for current year</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: schools, buildings and various service areas</li> <li>External: n/a</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>322</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	3,075	3,058	17	199	-182
<b>2015/16 (Budget)</b>	3,199	3,193	6		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>County Hall</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To Complete zero base budget analysis</li> <li>To market Soft FM Services as part of a total FM package which will also include Hard FM services, pest control and grounds maintenance. The focus will initially be to review work that is currently outsourced by other areas including schools that are not currently served. The service will then seek to grow income through</li> </ul>				

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	<p>providing services to external public and private organisations;</p> <ul style="list-style-type: none"> <li>• To investigate efficiency opportunities for Soft FM's management and provision of relief cover for Housekeepers at the 6 Sheltered Housing complexes within Cardiff;</li> <li>• To investigate opportunities for the window cleaning of Council owned buildings which is currently outsourced;</li> <li>• To establish a Handyperson service to provide low level maintenance work to schools and other public sector or community buildings. A similar service could also be offered to domestic properties;</li> <li>• To improve efficiencies in the Manned Guarding security service through the introduction of mobile working etc;</li> <li>• To co-ordinate the delivery of security services with the Alarm Response Centre to develop a joint Directorate Strategy, with the following offered as part of a total package: CCTV Monitoring &amp; Mobile Warden Security Service; Alarm Monitoring – intruder, fire/smoke, environmental (flood); Improved Lone Worker Solutions; Secure Door Entry systems; Out of Hours Services for all Council departments &amp; partners (RSL, LAs, etc.).</li> <li>• To improve workforce planning by introducing apprenticeships and developing links with the NEETs agenda;</li> <li>• To explore collaboration opportunities with neighbouring authorities.</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Need support from Finance for the completion of a zero-based cost analysis to ensure that service delivery costs are thoroughly understood;</li> <li>• Need to create a new cleaning database within SAP to provide greater control over cleaning equipment, servicing and repair and will also streamline the invoicing process which would lead to further efficiencies;</li> <li>• Need effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies;</li> <li>• Need to access the support provided through HR People Services in respect of the introduction of apprenticeships, development of links with the NEETs agenda;</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• No, or late implementation of the new cleaning database within SAP system;</li> <li>• Insufficient Stakeholder Management</li> <li>• Insufficient marketing capacity and support</li> </ul>

<b>Service Title</b>	<b>Hard FM</b>
<b>Service Description</b>	Enabling service with responsibility for building repair & maintenance, building improvements and planned preventative maintenance of a statutory nature

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<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Fulfilment of the Council's 'duty of care' responsibilities for employees as part of the Health and Safety at Work Act 1974 and the Workplace Health and Safety Regulations 1992</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>All functions carried out are non-statutory in nature but are necessary to satisfy legislative responsibilities as detailed above</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>104 schools signed into Service Level Agreements</li> <li>Maintenance of 483 Council buildings and 500 building in total that receive statutory services</li> <li>During 2013/14 this generated a total of 8,158 jobs (The number of jobs does not give an indication of work or demand as each job will differ in complexity and resources)</li> <li>Non domestic property maintenance direct labour unit</li> <li>Non domestic property maintenance unit – contract management and advisory service</li> <li>Non domestic property maintenance unit – management and admin function</li> <li>Statutory maintenance programming and monitoring</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: Council owned buildings inc. Schools</li> <li>External: None</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house, although the majority of work is carried out by external contractors via framework</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>59 FTEs</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	10,292	10,273	-162	20	-182
<b>2015/16 (Budget)</b>	10,456	10,456	0		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Coleridge Road Transport Depot</li> <li>Schools &amp; non-domestic Council buildings</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To upskill/multi-skill in-house resources that currently have high levels of downtime;</li> <li>To review the management and delivery of statutory maintenance functions currently contracted out;</li> <li>To create temporary posts to provide the Team with greater flexibility to undertake project work/planned schemes;</li> <li>To undertake a review of the current surveying and contract supervisor function with the objective of strengthening contract and project management;</li> <li>To align the back-office function with the scheduling technology to improve performance and customer service;</li> <li>To complete the review of the current framework building maintenance contracts and implement actions to ensure current issues are comprehensively addressed on a priority basis;</li> <li>To improve workforce planning by introducing apprenticeships and developing links with the NEETs agenda;</li> <li>To market (initially to schools and later externally) the building maintenance service as part of a total FM package which will also include cleaning, security, building management, pest control and</li> </ul>				

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	<p>grounds maintenance;</p> <ul style="list-style-type: none"> <li>To explore collaboration opportunities with neighbouring authorities.</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need support from Finance for the completion of a zero-based cost analysis to ensure that service delivery costs are thoroughly understood;</li> <li>Need to introduce scheduling system for the front-line (this is already in place in the Community Maintenance Service) with support from Enterprise Architecture to increase productivity and hence capacity;</li> <li>Need the effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies;</li> <li>Need to access support provided through HR People Services in respect of the introduction of apprenticeships, development of links with the NEETs agenda, multi skilling of workforce, and any TUPE implications in respect of changes in contractual relationships;</li> <li>Need support from Commissioning and Procurement in respect of the addressing the current Building Maintenance Framework issues and ensuring the next Framework appropriate meets the Council's needs;</li> <li>Need the provision of effective and efficient vehicles;</li> <li>Need to develop and maintain up to date ASSET management systems;</li> <li>Need greater staff involvement.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>Not completing the zero based cost analysis;</li> <li>No or late implementation of scheduling system;</li> <li>Insufficient Stakeholder Management;</li> <li>Not addressing issues in respect of both current and future Building Maintenance Frameworks;</li> </ul>

<b>Service Title</b>	<b>Pest Control</b>
<b>Service Description</b>	Provision of a pest control service in respect of common pests including rats, mice, squirrels, fleas, bedbugs, cockroaches and wasps. It also undertakes some bird control work.
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>The Council is required to take such steps as may be necessary to secure as far as practicable that the district is kept free from rats and mice</li> <li>It is also required to ensure that other owners and occupiers of land comply with similar duties</li> <li>It also has a duty to investigate and deal with filthy and verminous properties</li> </ul>
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Provision of a commercial pest control service</li> <li>Providing advisory service and sending letters and/or test baiting when there have been reports of rodents in an area</li> </ul>

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	<ul style="list-style-type: none"> <li>Offering one Council approach for general public health issues e.g. liaising with Food Safety, Waste Management, Housing and Parks</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>In 14/15 there were 2788 requests for service, 6676 visits (including contracts) and 4470 sewers baited</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: Cardiff Schools, Harbour Authority, leisure centres, core buildings, traveller sites, civic amenity sites, Council houses, other Council owned premises including allotments</li> <li>External: Dwr Cymru (Cardiff sewers), commercial premises, domestic property for residents / landlords of Cardiff</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house model</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>9</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	324	305	19	11	8
<b>2015/16 (Budget)</b>	361	301	60		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Brindley Road</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To grow the Pest Control service through seeking out new customers for existing services and also offering new services (see point below);</li> <li>To work in partnership/collaborate with neighbouring authorities, by either providing the service on their behalf, providing some services (e.g. contract work) or signposting to our service if the authority doesn't have an in-house Pest Control service;</li> <li>To expand the scope of services offered, increasing the variety of pests treated to include nuisance pests in addition to those of public health significance currently treated;</li> <li>To offer the Pest Control service as part of FM package in conjunction with other services in scope (e.g. Soft FM, Hard FM, and Grounds Maintenance);</li> <li>To improve workforce planning through the introduction of apprenticeships and developing links with the NEET's agenda.</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need to understand the true cost of service provision including current overhead and accommodation costs;</li> <li>Need to review of fees and charges whilst taking into account market rates and affordability;</li> <li>Need to explore recruitment of staff (casual / agency basis, permanent or apprentice) and necessary vehicle requirements (via CTS) as required.</li> <li>Need to implement a mobile working and scheduling system, to increase productivity and geographic reach</li> <li>Need to re-negotiate existing internal SLA / AC with a view to their being offered over a longer period of time (currently annually).</li> <li>Need to improve website and promotional/marketing materials;</li> <li>Need to standardise current operating hours so no difference between Summer and Winter months and then explore scope for some evening and weekend work;</li> <li>Need the effective engagement of Unions and employees in respect of proposed changes to working methods;</li> </ul>				

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	<ul style="list-style-type: none"> <li>Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEET's agenda.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>No or late implementation of new systems architecture;</li> <li>Not developing an effective understanding of the current cost base and also proposed pricing strategy;</li> <li>Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Projects, Design and Development</b>				
<b>Service Description</b>	Design and project management for the delivery of the buildings capital programme and other non-housing construction programmes on behalf of the Council				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>None of the services provided are a result of any statutory obligation</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Design functions offered by the service support the Council's Asset Management Strategy which seeks to preserve and improve the existing building stock</li> <li>There is an established Council policy and set of procurement rules that state that in-house services for the design of Capital works must be used in the first instance</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>320 design and/or project management projects per year ranging from a structural survey to multi-million pound schemes; such schemes can take years to develop from inception to completion</li> <li>Currently the majority of design and project management work relates to the Schools Organisational Planning Programme which is expected to last to beyond 2020.</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: Education, Communities and Housing, Bereavement, Corporate Office Rationalisation Team</li> <li>External: N/A</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house resources and / or external consultants</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>41</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	3,096	3,137	-41	1	-42
<b>2015/16 (Budget)</b>	2,011	2,015	-4		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>County Hall</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To reduce expenditure on external partners and provide the service in-house</li> <li>To maintain a quality service at a competitive cost</li> <li>To explore opportunities of collaboration with neighbouring authorities</li> <li>To explore detailed synergies with other design teams within the Council</li> </ul>				



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<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Need to review current salary in order to ascertain whether it attracts staff with suitable experience to replace potentially retiring staff and increase headcount.</li> <li>• Need to develop a graduate trainee scheme alongside the new PDD internship facility.</li> <li>• Need additional hardware and software (licences) for additional staff</li> <li>• Need additional accommodation space for additional staff</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• Additional recruitment of qualified staff;</li> <li>• Retention of current qualified staff;</li> <li>• Insufficient Stakeholder Management.</li> </ul>

<b>Service Title</b>	<b>Highway Operations</b>
<b>Service Description</b>	The service is responsible for carrying out functions to fulfil the Council's statutory obligation to maintain the adopted highway and associated assets (Highways Act 1980 and other legislation)
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Reactive highway repairs, street furniture renewals, street lighting, signing, drainage operations, traffic management and barrier repairs for high speed routes</li> <li>• Winter and twenty-four hour emergency services</li> </ul>
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• The vast majority of work is statutory across all areas. Works for other internal and external clients would not be considered as statutory for the highway service but may be for the areas for which the works are being completed e.g. SWTRA works</li> </ul>
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• General Highway Maintenance – 12,468 defect repairs were undertaken in 2014/15, with 10,664 repairs being the estimated figure for 2015/16;</li> <li>• Street Lighting – 9,014 repairs in 2014/15, with 3,990 being the total repairs completed up until the end of September 2015/16;</li> <li>• Drainage – No reliable information available for either year</li> <li>• High Speed Route Team – 35 orders raised in 2014/15, with 34 orders being raised to date during 2015/16;</li> <li>• Out of Hours Emergency Service – 1,040 estimated calls in both 2014/15 and 2015/16;</li> <li>• Winter Service – 360 priority streets treated in both 2014/15 and 2015/16.</li> </ul>
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• The adopted highway in Cardiff equates to 1400km of footways and 1092km of carriageway creating various levels of demand on the service</li> <li>• Internal clients: Highways, Housing, Parks, Harbour Authority, Strategic Estates, Facilities management, Schools, Street Cleansing, Waste Management, Bereavement</li> <li>• External clients: PFI (Lloyd George Ave), St David's, SWTRA, Utility Companies, Police, Hospitals</li> </ul>



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<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house model for all functions</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>46</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
<b>2015/16 (Budget)</b>	6,519	1,200	5,318		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Brindley Road</li> <li>Coryton Depot</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>Continue to improve operational efficiencies to increase capacity through improved processes and use/development of new technologies (e.g. in-cab/mobile working technology) to expand service capability and insource work;</li> <li>Implement a 'one Council approach to the undertaking of maintenance of highway type assets across the Council with maintenance work for other Council areas being insourced;</li> <li>Explore collaboration opportunities with nearby Council's and other public sector organisations in respect of undertaking highway asset maintenance work;</li> <li>In the medium term, building upon insourcing successes and consider trading opportunities, for example s38 highways works.</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Addressing current demand and making improvements in effectiveness and efficiency to allow capacity to take forward any additional work;</li> <li>A commitment by the Authority to develop a 'One Council' approach to asset management, investment, development and maintenance with respect to all of the Council's infrastructure assets is required;</li> <li>Investment in industry standard technology and support from Enterprise Architecture for its implementation;</li> <li>The provision of an effective FMIT system to provide transparency around vehicle performance and costs;</li> <li>Improvement to the highways maintenance fleet where required;</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>				
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>No implementation/late implementation of FMIT system;</li> <li>No implementation/late implementation of new mobile working systems;</li> <li>No Authority commitment to 'one Council' approach to asset maintenance;</li> <li>Insufficient Stakeholder Management;</li> </ul>				

<b>Service Title</b>	<b>Highway Asset Management</b>
<b>Service Description</b>	The service is responsible for carrying out functions to fulfil the Council's statutory obligations to maintain the adopted highway and associated assets (Highways Act 1980 and other legislation). There is also a network

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	management duty: to secure the expedition, convenient and safe movement of vehicular and other traffic (including pedestrians) on the highway.				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Compilation of Capital programmes for the Highway Operations Service</li> <li>• Developing the Council's approach to Highway Asset Management</li> <li>• Undertaking highway safety inspections</li> <li>• Investigation of highway insurance claims</li> <li>• Managing and carrying out street works inspections</li> <li>• Managing and administering the highway licensing function</li> <li>• Provision, implementation and maintenance of Intelligent Transport Systems in Cardiff</li> <li>• Maintenance of the traffic systems and structures associated with Butetown Tunnel</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Legislation does not stipulate a standard that the functions should be carried out to, so the service uses the guidance provided in the Well Maintained Highways, Code of Practice for Highway Maintenance Management 2005</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• The adopted highway in Cardiff equates to 1,400 km of footways and 1092 km of carriageway</li> <li>• Highway assessment: 3.5k streets assessed annually, ~400 sites investigated following SCRIM, 220km of network assessed for Pl's (same for previous years)</li> <li>• Public rights of way – 187 public rights of way, 200km length assessed, 240 adopted highway searches, 5,200 Con 29, 120 complaints, 10 legal orders (same for previous years)</li> <li>• Safety inspection &amp; claims management: 11,400 carriageway/footway inspections, 5,000 service requests, 800 claims (no data available for previous years)</li> <li>• Area inspection: 2,520 permit requests, 3,600 street works inspections (no data available for previous years)</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• Internal: other service areas (e.g. parks, legal, insurance, planning utility companies, trading standards);</li> <li>• External: consultants, contractors, citizens of Cardiff, Local Access Forum, landowners, solicitors, developers, claims handlers, utility companies, local builders, local business owners</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>• In-house model across all functions</li> <li>• External contractors for scanner and scrim surveys, planned maintenance and major works</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>• 21</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
<b>2015/16 (Budget)</b>	1,353	982	371		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>• County Hall</li> <li>• Brindley Road</li> </ul>				

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<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>• Improve operational efficiencies to increase capacity through improved processes and use/development of new technologies (e.g. AMX) to expand service capability;</li> <li>• Manage highway type assets within other services of the Council which are not currently under 'Highways' control;</li> <li>• Development of the PROW service, community involvement, promotion of countryside walking facility</li> <li>• Introduce annual coring programme for streetwork repairs to ensure better management and control of the adopted highway, improve condition and also potentially increase income;</li> <li>• Introduction of an Asset Investment Strategy to achieve steady state funding for intelligent and risk based management of the authorities' highway assets including the investigation and investment into alternative treatments and technologies for highway management;</li> <li>• Implementation of the 5-year maintenance programme to tackle routine and significant works. Enter pressure bids against the 5-year plan for major works e.g. carriageway reconstruction works</li> <li>• Explore collaborative public / public working with other local authorities and public sector organisations</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Addressing current demand and making improvements in effectiveness and efficiency to increase capacity to expand service Capability;</li> <li>• A commitment by the Authority to develop a 'One Council' approach to asset management, investment, development and maintenance with respect to all of the Council's infrastructure assets is required. There are similar assets throughout the Council e.g. street lighting in housing and parks areas.</li> <li>• Identifying the true cost of services across the Council</li> <li>• Continued investment in new technology (e.g. AMX)</li> <li>• Upgrading of fleet to suit current requirements.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• No continued investment in new technology (e.g. AMX);</li> <li>• No Authority commitment to 'one Council' approach to asset maintenance;</li> <li>• Not upgrading the fleet to suit current requirements.</li> <li>• Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Highways Engineering</b>
<b>Service Description</b>	<p>The service comprises of functions for Structures and Tunnel Management, Highways Electrical and Flood and Water Management.</p> <ul style="list-style-type: none"> <li>• The Service is responsible for carrying out functions to fulfil the Council's statutory obligations to maintain the adopted highway and associated assets (Highways Act 1980 and other legislation).</li> <li>• There is also a network management duty: to secure the expedition, convenient and safe movement of vehicular and other traffic (including pedestrians) on the highway.</li> </ul>

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	<ul style="list-style-type: none"> <li>The service is also responsible for the implementation and management of various legal requirements under the Land Drainage Act 1991, Flood Risk Regulations 2009 and the Flood and Water Management Act 2010</li> </ul>
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Management, inspection and maintenance of highway structures throughout the city</li> <li>Management, inspection and maintenance of the Butetown Tunnel</li> <li>Vetting of abnormal load movements throughout the City</li> <li>Technical Approval of new designs and assessment of existing structures</li> <li>Management of the street lighting stock, associated electrical assets and Intelligent Traffic Systems (ITS) throughout the city</li> <li>Management and scheduling of the cyclic maintenance for the highway drainage asset</li> <li>Implementation and management of the requirements of various legal requirements under the Land Drainage Act 1991, Flood Risk Regulations 2009 and the Flood and Water Management Act 2010</li> <li>Investigation of flooding issues - design, implementation and management of relief schemes</li> <li>Drainage and watercourse enforcement</li> <li>Drainage and water management planning consents</li> </ul>
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Design and approval of new installation for developments S278/S38/S106 and capital improvement schemes</li> <li>Production and management of capital renewal, energy efficiency and investment schemes</li> <li>Pumping station maintenance management</li> </ul>
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>The adopted highway in Cardiff equates to 1,400 km of footways and 1,092 km of carriageway <ul style="list-style-type: none"> <li>Structures on this network include 382 bridges, 1.6 km of Culverts, 5.1km of retaining wall and 1 km of subways</li> <li>Electrical assets on the network consist of 37,500 lighting columns, 5,100 illuminated signs and posts, 437 illuminated bollards, 196 signalised junctions and 115 signalised pedestrian crossings</li> <li>Drainage assets on the network consist of 40,000 gullies, piped drains, watercourses, roadside ditches etc.</li> </ul> </li> <li>The service has vetted 2,500 abnormal load movements consistently over the previous three financial years</li> </ul>
<b>Customers and Client Information</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Other service areas such as other highway services, parks, harbour authority, housing, ICT, leisure, schools</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Vinci, developers, consultants, Network Rail, hauliers, Vale of Glamorgan Council, SWTRA, Police. Car Park real time information for private facilities such as St. David's 2 and the Capital Centre.</li> </ul>
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house model across all 'client' functions</li> <li>External contractors used for complex repairs and delivery of capital programmes and civil works</li> <li>External contractor for elements of tunnel and ITS maintenance</li> </ul>

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<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>21</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
<b>2015/16 (Budget)</b>	5,695	-606	5,089		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>County Hall</li> <li>Brindley Road</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To improve operational efficiencies to increase capacity through improved processes and use/development of new technologies to expand service capability;</li> <li>To manage structural, electrical and drainage assets for the authority which are currently not under the Team's control;</li> <li>To implement the 5-year maintenance programme to tackle routine and significant works. To submit pressure bids against the 5-year plan for major works e.g. bearing renewals, bridge deck replacements etc.</li> <li>To further amalgamate teams to build knowledge base and improve contingency</li> <li>To introduce a waste water disposal facility to enhance service efficiency and deliver associated savings</li> <li>To introduce and expand an 'asset engineering' consultancy service;</li> <li>To further expand on collaborative public / public working with other local authorities or public sector organisations</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need to address current demand and make improvements in effectiveness and efficiency to allow capacity to take forward insourcing and any related additional work.</li> <li>Need a commitment by the Authority to develop a 'One Council' approach to asset management, investment, development and maintenance with respect to all of the Council's infrastructure assets is required. There are similar assets throughout the Council e.g. street lighting in housing and parks areas;</li> <li>Need to identify the true cost of services;</li> <li>Need continued investment in new technology (e.g. AMX);</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>				
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>No continued investment in new technology (e.g. AMX);</li> <li>No Authority commitment to 'one Council' approach to asset maintenance;</li> <li>Insufficient Stakeholder Management;</li> </ul>				

<b>Service Title</b>	<b>Design and Delivery</b>
<b>Service Description</b>	Delivery of all civil engineering projects on behalf of the Council
<b>Statutory Services</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>

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<b>Provided</b>					
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Feasibility / concept design</li> <li>• Detail design</li> <li>• Project management</li> <li>• Contract management</li> <li>• Site supervision</li> <li>• Construction, design and management services</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• In 2013/14, delivered £15M worth of work, which equated to ~45 individual projects</li> <li>• Design</li> <li>• Contract preparation and tender</li> <li>• Delivery</li> <li>• The construction (design &amp; management) regulations 2015</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• Internal: transportation, assets and engineering; parks, housing / neighbourhood renewal; harbour authority; environment; education</li> <li>• External: developers / consultants, network rail</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>• In-house across all functions with specialist design work consultants used when required</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>• 25</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	1,457	1,426	31	59	-28
<b>2015/16 (Budget)</b>	1,096	1,065	31		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>• County Hall</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>• Provide a single design and delivery service for the Council by merging the Design and Delivery Team with PDD and Landscape Design. Further integration with Building Control will be investigated;</li> <li>• Current demand needs to be assessed and improvements to effectiveness and efficiency made to allow capacity to take forward future additional work.</li> <li>• Explore collaborative working with other local authorities and other public sector organisations e.g. hospitals, emergency services.</li> <li>• In the medium term: building upon insourcing, and consider trading opportunities</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Council commitment to the establishment of a single integrated Design Team;</li> <li>• Council direction that all infrastructure type projects are delivered by the Design and Delivery/Integrated Design Team;</li> <li>• Review of recruitment package in order to ensure it is attractive to recruit and increase capacity;</li> <li>• Additional hardware and software (licences) for additional staff</li> <li>• Additional accommodation space for additional staff;</li> <li>• Develop a graduate training scheme.</li> </ul> <p><b>External:</b></p>				

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	<ul style="list-style-type: none"> <li>• Collaboration relies upon inter-authority co-operation and strong objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• Not increasing internal capacity;</li> <li>• No official direction that all infrastructure type projects are delivered by the Design and Delivery/Integrated Design Team;</li> <li>• Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Waste Collections Commercial</b>				
<b>Service Description</b>	Provision of commercial waste collections for the businesses of Cardiff				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Collection of Recyclable Waste and fulfilment of recycling targets set by Welsh Government</li> <li>• The Council must provide a Commercial collection service if requested, this can be carried out in-house or by a partner</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Servicing businesses outside the Cardiff area</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• 93,600 commercial collections per annum</li> <li>• 15,600 bulky collections per annum</li> <li>• Commercial Officers (securing commercial waste contracts, managing customer accounts and seeking opportunities to secure additional income): 3,900 contracts in 2014/15</li> <li>• Administration (finance and resourcing functions)</li> <li>• Commercial Collections (vehicles, technology and operatives collecting general waste recycling and food waste from 3,900 sites across the city)</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• Internal: All relevant Council services</li> <li>• External: 3,900 customers</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>• In-house across all functions</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>• 32</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	1,452	-3,395	-1,943	-1,918	-25
<b>2015/16 (Budget)</b>	1,546	-4,177	-2,631		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>• Lamby Way</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>• To increase income by growing the commercial waste business both within Cardiff and also adjacent local authority areas, whilst also increasing the recycling performance of the business;</li> <li>• To explore and enter into new markets including Front End Loading/Rear End loading commercial waste collection methods;</li> <li>• To improve operational efficiencies, increase recycling performance and reduce costs by: reducing sickness; making the best use of industry standard technology; addressing custom and practice issues, and improving vehicle performance</li> <li>• To improve collection efficiency by utilising spare capacity within the domestic collection service, where it exists</li> <li>• To introduce apprenticeship opportunities for all areas and identify links with the NEETS agenda and improved workforce planning;</li> </ul>				



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	<ul style="list-style-type: none"> <li>To undertake modelling to determine the most cost effective approach to collection methods for commercial waste as required by the Welsh Government and the EU regulations. This could mean changes to the collection method and vehicle type;</li> <li>To explore collaboration opportunities with neighbouring authorities</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need the effective engagement of both Unions and Staff in respect of improving operational efficiencies to increase capacity/reduce costs;</li> <li>Need investment in industry standard technology and need support from Enterprise Architecture for its implementation;</li> <li>Need an effective FMIT system to provide transparency around vehicle performance;</li> <li>Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda;</li> <li>Need to undertake market research and relevant business development including pricing strategy for new markets and services;</li> <li>Need to invest in additional resources (vehicles and employees) at appropriate times to facilitate commercial growth;</li> <li>Need additional training of crews in respect of waste contamination and customer service;</li> <li>Need dialogue with other service teams to develop holistic service contracts with customers where opportunities exist.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>Collaboration will depend upon inter-authority co-operation and strong shared objectives.</li> </ul>
<b>Key Risks to Achievement of Benefits</b>	<ul style="list-style-type: none"> <li>No or late implementation of FMIT system</li> <li>No or late implementation of new systems architecture;</li> <li>No or insufficient investment in additional resources at the appropriate times to secure commercial growth</li> <li>Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Domestic Waste Collection</b>
<b>Service Description</b>	Provision of domestic recycling and waste collections for the citizens of Cardiff
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Collection of domestic recycling and waste is a statutory obligation, charges can be levied for the provision of receptacles as well as the collection of garden and bulky waste</li> <li>Collection of recyclable waste and fulfilment of recycling targets set by Welsh Government</li> </ul>
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Bulky waste collection</li> <li>Hygiene waste collection</li> <li>Assisted lifts</li> </ul>
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>Domestic waste collections: 153,351 properties serviced weekly, 3,987,126 total domestic residual waste collections per annum, 19,015,524 total domestic recycling collections per annum</li> <li>Projects: support function related to domestic waste collections</li> </ul>



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	<ul style="list-style-type: none"> <li>H&amp;S and Stores and Support Services: 153,351 domestic properties supported</li> <li>C2C CRM requests: 16,471 bags and 12,346 bins</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: n/a</li> <li>External: residents across Cardiff</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house across all functions though some external resources used for H&amp;S and Stores and Support Services</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>179</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	11,400	3,988	7,412	6,309	1,103
<b>2015/16 (Budget)</b>	11,070	4,587	6,484		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Lamby Way Depot</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To implement changes to the Domestic Waste Collections Service in accordance with the requirements of the Municipal Waste Strategy when updated and approved by Cabinet to assist in achieving statutory landfill diversion and recycling targets. This could mean a change in waste collection method and vehicle type</li> <li>To improve operational efficiencies to increase capacity/reduce costs by: improving attendance; making the best use of industry standard technology; addressing custom and practice issues, and improving vehicle performance;</li> <li>To assist the Council's Commercial Waste Collections Service by collecting commercial waste where capacity exists;</li> <li>To improve workforce planning by introducing apprenticeship opportunities and identifying links with the NEETS agenda;</li> <li>To seek additional funding to for the collection of additional waste associated with demographic growth;</li> <li>To explore collaboration opportunities with neighbouring authorities.</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need Cabinet's approval of the Municipal Waste Strategy when it has been updated;</li> <li>Associated budget pressure being accepted for the need to expand or change recycling services in line with the WG policy requirements and the Councils waste strategy</li> <li>Need the effective engagement of both Unions and Staff in respect of improving operational efficiencies to increase capacity/reduce costs;</li> <li>Need investment in industry standard technology and need support from Enterprise Architecture for its implementation;</li> <li>Need an effective FMIT system to provide transparency around vehicle performance;</li> <li>Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda;</li> <li>Need growth bids to be accepted as part of the annual budget</li> </ul>				

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	<p>setting process in respect of demographic growth;</p> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration will depend upon inter-authority co-operation and strong shared objectives.</li> </ul>
<b>Key Risks to Achievement of Benefits</b>	<ul style="list-style-type: none"> <li>• No or late implementation of FMIT system</li> <li>• No or late implementation of new systems architecture;</li> <li>• Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Waste Treatment and Disposal</b>				
<b>Service Description</b>	Receiving, treating and disposing of Cardiff residential domestic waste and also commercial waste collected by the Council's Commercial Waste Collections service. Waste Treatment and Disposal includes the Materials Recycling Facility (MRF); two Waste Transfer Station's (WTS), 3 Household Waste Recycling Centres (HWRC's) and the depots at Lamby Way & Millicent Street				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Provision of a HWRC (each Council must provide a minimum of 1)</li> <li>• Management of the waste facilities and depots to comply with Health &amp; Safety and Waste Management legislation &amp; regulation</li> <li>• Provision of a means to recycle, treat and dispose of all controlled municipal waste collected as the Waste Disposal Authority</li> <li>• Collections and transportation of waste and recycling skips from the MRF, WTS's, HWRC's and internal and external SLAs</li> <li>• Long term management and monitoring of Ferry Road and Lamby Way landfill sites</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Provision of more than 1 HWRC</li> <li>• Provision of Waste Transfer Stations, including on one commercial site</li> <li>• Provision of a Materials Recycling Facility</li> <li>• Contracts management</li> <li>• Depot management</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• The service receives, stores and processes c.170,000 municipal waste per annum, including c.34,000 tonnes of waste received by the 3 HWRC's and c.35,000 tonnes dry recycling waste processed by the MRF. The WTS processes c.132,000 tonnes per annum.</li> <li>• Materials Recycling Facility (MRF) – c.51,000 tonnes per annum</li> <li>• Waste Transfer Stations (WTS) – c.120,000 tonnes per annum</li> <li>• Household Waste Recycling Centres (HWRC) – c.35,000 tonnes per annum</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• Internal clients: waste management, domestic &amp; commercial waste collections, WTS's, HWRC's, street cleansing, skip lifts, MRF, other Council departments;</li> <li>• External clients: private sector organisations, commercial, other Local Authorities, citizens of Cardiff.</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>• In-house across all functions</li> </ul>				
<b>No. of FTEs (01/04/15)</b>	<ul style="list-style-type: none"> <li>• 101</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance

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2014/15 (Actual)	7,724	4,597	3,126	2,023	1,103
2015/16 (Budget)	7,339	4,187	3,153		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>• Lamby Way, Rumney</li> <li>• Bessemer Close, Leckwith</li> <li>• Wedal Road, Cathays</li> <li>• Locations within Cardiff and the Vale of Glamorgan through the SLAs</li> <li>• Ferry Road, Grangetown</li> <li>• Millicent Street, City Centre</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>• To improve operational efficiencies to increase capacity/reduce costs by: improving attendance, making the best use of industry technology, management of some performance issues (e.g. employees leaving early), and improving vehicle performance;</li> <li>• To explore additional income opportunities for the MRF, and WTS's;</li> <li>• To implement an agreed, invest to save scheme to install autosorters in the MRF to increase income from recycled waste;</li> <li>• To commence the landfill closure plan and aftercare requirements for the Lamby Way landfill site and determine its future use;</li> <li>• To explore collaboration opportunities with neighbouring authorities e.g. utilisation of the WTS and MRF facilities;</li> <li>• To improve workforce planning by introducing apprenticeship opportunities and identifying links with the NEETS agenda.</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Need the effective engagement of both Unions and employees in respect of improving operational efficiencies to increase capacity/reduce costs;</li> <li>• Need to invest in industry standard technology and need support from enterprise architecture for its implementation;</li> <li>• Need an effective FMIT system to provide transparency around vehicle performance;</li> <li>• Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda</li> <li>• Need appropriate growth bids to be included and accepted in the annual budget setting process in respect of demographic growth;</li> <li>• Need acceptance of the invest to save bid (when submitted) in respect of the auto-sorters for the MRF.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Collaboration will depend upon inter-authority co-operation and strong shared objectives.</li> </ul>				
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• No or late implementation of FMIT system;</li> <li>• No or late implementation of new systems architecture;</li> <li>• Non acceptance of the invest to save bid in respect of the MRF auto-sorters;</li> <li>• Insufficient Stakeholder Management;</li> <li>• Global market prices reduce the income received and increase the MRF running costs</li> </ul>				

Service Title

Waste Education and Enforcement

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<b>Service Description</b>	Provision of recycling and waste management related education and enforcement activities				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Enforcement activities in relation to fly-tipped waste</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Education in respect of waste presentation and recycling</li> <li>Assessment of assisted lift requests</li> <li>Enforcement of waste-related environmental crime including incorrect waste presentation, littering, abandoned trollies and dog fouling</li> </ul>				
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>1,200 requests per month</li> <li>Removal of c.1,000 abandoned trollies per year</li> <li>Issue of Fixed Penalty Notices (FPN) 2014/15: c.522</li> <li>Requests: 2014/15: 10,345</li> <li>Fines: 2014/15: 508</li> <li>Trolleys: 2014/15: 915</li> <li>Fly tipping incidents: 2014/15: 3,473</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>External: Residents and businesses within Cardiff</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>61</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	2,844	970	1,824	1,802	22
<b>2015/16 (Budget)</b>	1,472	629	843		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Lamby Way</li> <li>Brindley Road Depot</li> </ul>				
<b>Future Strategy</b>	See Future Strategy in Service Summary for Street Cleansing below.				
<b>Key Enablers</b>	See Key Enablers in Service Summary for Street Cleansing below.				
<b>Key Risks to Achievement of Benefits</b>	See Key Risks to Achievement of Benefits in Service Summary for Street Cleansing below.				

<b>Service Title</b>	<b>Street Cleansing</b>				
<b>Service Description</b>	Provision of cleansing of adopted highway areas across the city (except Lloyd George Avenue and The Hayes) and removal of fly-tipping				
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>Street cleansing</li> <li>Bin emptying</li> <li>Removal of fly-tipping</li> </ul>				
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>n/a</li> </ul>				
<b>Functions and Volume of Demand</b>	<ul style="list-style-type: none"> <li>Street cleansing of c.1088km of carriageway and c.1900km of footway as well as main shop fronts (49 locations)</li> <li>Emptying c.1700 bins</li> <li>Removal of waste from 3,473 fly-tipping incidents</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>Internal: Council services (e.g. Housing, Cardiff Harbour Authority)</li> <li>External: residents across Cardiff, event organisers (organised</li> </ul>				

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through the Commercial Waste Service Team)					
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>In-house across all functions</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>142</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	6,330	717	5,614	5,850	-236
<b>2015/16 (Budget)</b>	5,753	533	5,219		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>Lamby Way Depot</li> <li>Brindley Road</li> <li>Millicent Street</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>To complete the implementation of the Neighbourhood Services approach across the city through full integration of the Street Cleansing, Parks and Sport and Waste Education/Enforcement Services. As a second phase, integrate the Highways Inspections and Enforcement functions within the Citywide Neighbourhood Services operation;</li> <li>To improve operational efficiencies to increase capacity/reduce costs by: improving attendance, making the best use of industry standard technology; addressing custom and practice issues; improving vehicle performance; depot and asset consolidation, and the development of multi-skilled teams to provide a greater pool of flexible operatives who can be prioritised across the whole service area leading to a reduction in the use of agency and seasonal workers;</li> <li>To use capacity generated through efficiency measures to commence the insourcing of work, which is currently outsourced, for example, arboriculture management;</li> <li>To improve workforce planning by developing apprenticeship opportunities and links with the NEETs agenda. Also, investigate opportunities for working collaboratively with the Probation Service;</li> <li>To engage with the Business Improvement District (BID) work with the object of improving the streetscene in the business environment;</li> <li>To explore collaboration opportunities with adjacent authorities, particularly in relation to grounds maintenance and niche services such as nursery services and arboriculture surveys;</li> </ul>				
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>Need senior management support to ensure the timely completion of the Neighbourhood Services approach;</li> <li>Need the effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies.</li> <li>Need to invest in industry standard technology and need support from Enterprise Architecture for its implementation;</li> <li>Need an effective FMIT system to provide transparency around vehicle performance;</li> <li>Need to access the support provided through HR People Services in</li> </ul>				

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	<p>respect of the introduction of apprenticeships and developing links with the NEETS agenda;</p> <ul style="list-style-type: none"> <li>• Need appropriate growth bids to be submitted and accepted as part of the annual budget setting process in respect of demographic growth;</li> <li>• Need support from Strategic Estates and FM for the review of depots and assets;</li> <li>• Need support from the Waste Projects Team to enable re-zoning of the city in accordance with the Code of Practice for Litter and Refuse;</li> <li>• Need support from the Council's Planning Service to ensure businesses take more responsibility for impacts upon an area.</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Need effective engagement with community groups e.g. through Neighbourhood Partnerships.</li> <li>• Need effective engagement with businesses to improve the local streetscene;</li> <li>• Need effective public engagement to deliver behaviour change both in terms of litter prevention and assisting in dealing responsibly with the litter that does exist e.g. leaf-fall.</li> <li>• Collaboration will depend upon inter-authority co-operation and strong shared objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• Inadequate support for the completion of the Neighbourhood Services implementation;</li> <li>• No or late implementation of FMIT system;</li> <li>• No or late implementation of new systems architecture;</li> <li>• Ineffective engagement with Unions and employees regarding the proposed strategy;</li> <li>• Insufficient Stakeholder Management;</li> </ul>

<b>Service Title</b>	<b>Parks &amp; Sport</b>
<b>Service Description</b>	Management and development of public open space provision throughout the city; and the provision and the development of outdoor sport.
<b>Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Provision of land for allotment gardening</li> <li>• Inferred responsibilities from various legislation</li> <li>• Obligations linked to the provision and management of public open space linked to Planning Policy &amp; Guidance</li> <li>• Fulfilment of covenant and grant conditions</li> </ul>
<b>Non-Statutory Services Provided</b>	<ul style="list-style-type: none"> <li>• Grounds maintenance activities i.e. grass cutting, litter clearance</li> <li>• Arboriculture</li> <li>• Sports pitch management</li> <li>• Plant production</li> </ul>
<b>Functions with Volume of Demand</b>	<ul style="list-style-type: none"> <li>• Parks management (provision of grounds maintenance, strategic/technical/operational tree management, delivery of park ranger service, delivery of playground management, operation of Council's plant production nursery): 1,600 hectares managed</li> <li>• Parks development (provision of strategic, development, planning, design and land/asset management functions): 1,600 hectares</li> </ul>

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	<p>managed</p> <ul style="list-style-type: none"> <li>• Sport &amp; events (provision of outdoor sports facilities, facilitate community and major events and sport development in the city): children's participation age 7-16: 39,130, frequency 7-16: 196,297</li> <li>• 7,000 participants for sport pitch and facility provision during a traditional winter week-end fixture programme</li> <li>• Across all functions: cabinet / councillor contact: 734; public contact recorded: 1,892</li> </ul>				
<b>Customers and Client Information</b>	<ul style="list-style-type: none"> <li>• Internal: Schools, Housing and Neighbourhood Renewal, Cardiff Harbour Authority, Facilities Management, Strategic Estates, Highways, Planning</li> <li>• External: general public/service users, local sports clubs, other Local Authorities, town councils, community groups/associations, joint venture with Cardiff Metropolitan University and Sport Wales, event organisers</li> </ul>				
<b>Operational Model</b>	<ul style="list-style-type: none"> <li>• Mix: in-house, private sector, voluntary sector</li> <li>• Sports &amp; events is delivered through the combination of the in-house team, a joint venture with Cardiff Metropolitan University, governing bodies of sport, local clubs / associations, major sports clubs, the voluntary and private sector</li> </ul>				
<b>No. of FTEs</b>	<ul style="list-style-type: none"> <li>• 169</li> </ul>				
<b>Expenditure/Variance (£000's)</b>	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
<b>2014/15 (Actual)</b>	7,806	2,333	5,473	5,472	1
<b>2015/16 (Budget)</b>	7,125	2,013	5,112		
<b>Operational Facilities</b>	<ul style="list-style-type: none"> <li>• Wedal Road Depot</li> <li>• Victoria Park Depot</li> <li>• Pentwyn Depot</li> <li>• Bute Park Nursery</li> <li>• Forest Farm</li> <li>• Queen Alexandra House</li> </ul>				
<b>Future Strategy</b>	<ul style="list-style-type: none"> <li>• To complete the integration of Parks and Sport within the new Neighbourhood Services function as appropriate; together with the Street Cleansing, Waste Education/Enforcement, and Highways Inspections and Enforcement Services (see Future Strategy for the Street Cleansing Service);</li> <li>• To improve operational efficiencies to increase capacity/reduce costs by: improving attendance; making the best use of industry standard technology; addressing custom and practice issues; improving vehicle performance; depot and asset consolidation, and the development of multi-skilled teams to provide a greater pool of flexible operatives who can be prioritised across the whole service area leading to a reduction in the use of agency and seasonal workers;</li> <li>• To use capacity generated through efficiency measures to commence the insourcing of work, which is currently outsourced, for example, arboriculture management;</li> <li>• To progress trading opportunities (e.g. with Schools) through the</li> </ul>				



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	<p>offer of packaged services in conjunction with other services in scope (e.g. Hard and Soft Facilities Management, Pest Control);</p> <ul style="list-style-type: none"> <li>• To improve workforce planning by continuing to develop apprenticeship opportunities and links with the NEETs agenda. Also, investigate opportunities for working collaboratively with the Probation Service;</li> <li>• To grow and develop the 'People Program' within the parks and sports service</li> <li>• To explore collaboration opportunities with adjacent authorities, particularly in relation to grounds maintenance and niche services such as nursery services and arboriculture surveys;</li> </ul>
<b>Key Enablers</b>	<p><b>Internal:</b></p> <ul style="list-style-type: none"> <li>• Need senior management support to ensure the timely completion of the Neighbourhood Services approach;</li> <li>• Need the effective engagement of both Unions and staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies.</li> <li>• Need investment in industry standard technology and need support from Enterprise Architecture for its implementation;</li> <li>• Need an effective FMIT system to provide transparency around vehicle performance;</li> <li>• Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda;</li> <li>• Need appropriate growth bids submitted and accepted as part of the annual budget setting process in respect of demographic growth;</li> <li>• Need support from Strategic Estates and FM for the review of depots and assets;</li> <li>• Need sufficient management capacity to grow and compete for services</li> </ul> <p><b>External:</b></p> <ul style="list-style-type: none"> <li>• Need effective engagement with community groups e.g. through Neighbourhood Partnerships;</li> <li>• Collaboration will depend upon inter-authority co-operation and strong shared objectives.</li> </ul>
<b>Key risks to the achievement of benefits</b>	<ul style="list-style-type: none"> <li>• Inadequate support for the completion of the Neighbourhood Services implementation;</li> <li>• No or late implementation of FMIT system;</li> <li>• No or late implementation of new systems architecture;</li> <li>• Ineffective engagement with Unions and employees regarding the proposed strategy;</li> <li>• Insufficient Stakeholder Management;</li> </ul>



## Appendix 3: Financial Information

### Financial Assumptions

#### Assumptions Common to Both Models

A number of financial assumptions are common to both models in particular those that underpin the service strategy “model neutral” benefits.

- **New Enterprise Architecture (EA)**

A significant number of the service strategy benefits involve the introduction of technology to improve productivity e.g. the introduction of mobile working and scheduling. This will involve a significant input from the Council’s EA team in order to enable the introduction of new technology and associated processes to deliver these benefits. Although the costs of the Enterprise Architecture team are internal to the Council, and so will not result in additional costs, the extent of the proposed activity will represent a significant opportunity cost as EA resources will be diverted away from other areas of the council which may have consequences for the deliverability of budget reductions in these other priority areas or an increase in costs, in particular external advisors, to maintain the programme for the delivery of these benefits.

Additional expenditure will be incurred in acquiring the technology required for mobile working and the other productivity initiatives as well as other expenditure such as IT licenses. Expenditure will be required for both the initial set-up costs, which are estimated at £350k to cover 2016/17 and 2017/18, and recurring costs which are estimated to incrementally increase to £122k in 2018/19.

- **New Fleet Management IT (FMIT) System for Central Transport System**

As highlighted in the previous section improvements in the Fleet management information underpin a number of the benefits proposed by CTS and a new FMIT system will deliver this improvement in management information. The acquisition and implementation cost of a new FMIT system is estimated to be £150,000 with the assumption that this can be funded from earmarked reserves with annual running costs for FMIT of £20,000 pa netted off associated annual benefits.

- **Charges for Corporate Services (Finance, Payroll, HR, Legal, ICT etc.)**

The costs of these support services are assumed to be model neutral. A common arrangement with other Councils who operate WOCs is that the parent Authority provides support services to the Company for a fixed period. This is, typically 3 years, with a Service Level Agreement (SLA) approach with an agreed price and level of service being common and this approach is assumed here for the WOC.

The “reverse Teckal” principle can apply here with the WOC being able to obtain these services from the council without the need to undertake a formal procurement to

obtain these services. These services will however have to be provided at a “fair” price which does not include any subsidy from the council to avoid any State Aid implications.

Further work would need to be undertaken during any transitional phase to establish a WOC in order to analyse support service allocations to the areas in scope to distinguish between those services performed for the direct benefit of the service area and those undertaken on behalf of the council as a corporate body. The former can then form the basis of the SLA to be developed between the council and the WOC.

- **Interim Commercial Support**

Both delivery models include the aspiration that a more commercial focus is developed. The longer term goal will be to develop these skills in house through staff training and development but in the interim supplementary external commercial support will be required. A cost of £250k has been included in the financial model projections.

- **New Website and Branding**

To achieve the commercial objective of increasing trading, it is important that appropriate and distinctive branding is developed in conjunction with a standalone website. A cost of £35k has been assumed for these activities. Although the MIH would remain within the council there would be benefits from a subtle distinction from the council as was the case with Oxford Direct Services.

- **Training and Development**

As well as developing commercial skills listed above expenditure on staff development and training is seen as one of the enablers to increase productivity by moving toward a multi-skilled workforce. A recurring annual provision of £100k has been included in the financial model for this expenditure.

#### Wholly Owned Company Specific Assumptions

- **Company Governance**

It has been assumed that the Company Board would comprise 5 Directors: 2 Executive Directors and 3 Non-Executive Directors; 2 Council representatives, and 1 external representative with appropriate business and commercial expertise. To ensure that Council could exercise control over the company similarly to that over its own departments (to comply with the ‘Teckal’ exemption requirement), the Council Non-Executive Directors would each have two votes on the Board and the other Directors a single vote each. It has been assumed that the external Non-Executive Director would cost £10,000 p.a for an appropriate part time commitment in line with similar appointments to other Welsh public bodies such as members of the Local Health Board.

- **Company Management**

It is assumed there would be a Managing Director, Commercial Director, Financial Director and Operations Director. It has been assumed that the salary of the Managing Director would equate to that of a Council Director and the salary of the other Directors would equate to that of a Council Assistant Director. Provision for two additional Directors for the WOC, compared to the MIH senior management, have been included at an annual cost of £130k for each Director, £260k pa in total.

- **SAP reconfiguration cost**

As a separate legal entity the WOC would be required to produce its own financial statements and will have its own taxation registration separate from the Council including its own VAT registration. The financial recording of council and WOC transactions will therefore need to separately maintained. The cost of reconfiguring SAP to provide a new company code and separation of accounts, procurement, payroll, Stores and Works Order Management systems has been assumed at £400k (see section 2.3.4.3 of this document). The cost of acquiring and installing a new integrated financial system is projected to be of a similar magnitude but with potentially a longer implementation period

- **Information Governance**

A projection for expenditure amount of £12k pa has been assumed for the setting up and delivery of the Information Governance requirements for the Wholly Owned Company.

- **Wholly Owned Company Set-up Costs**

Set up costs for the Wholly Owned Company have been assumed as follows:

- External Professional advice
- Legal advice to include Preparation of contract documents, articles of association, company registration, and other related legal activities and advice - one-off cost of £20k;
- Financial advice to include specific advice on Taxation, Pensions and Insurance as well as more general financial advice to include company accounting – one-off cost of £30k, and
- Additional marketing costs of £10k pa to reflect the increased emphasis on trading with the WOC compared to the model neutral position

- **Wholly Owned Company Recurring Costs**

The WOC would be required to produce audited financial statements for filing at Companies House. As these statements will be subject to Companies Act reporting requirements this will be additional to the Council's external audit, although the

financial performance of the WOC will be consolidated into the Cardiff Council Group Accounts. A recurring provision of £25,000 has been included in the Financial model for the cost of external audit. The MIH model by remaining part of the Council will see no change in its external audit arrangements.

**Corporation Tax** - As a company the WOC would be liable for the payment of Corporation Tax on the profits it makes. Transactions between the council and the WOC are normally subject to a mutual exemption so there is no tax liability but this has to be agreed with HMRC on an individual case by case basis.

There would however be a potential tax liability on any profit the WOC makes from external trading with organisations or individuals external to the Council. Under the WOC exemption external trading must be limited to 20% of total turnover, averaged over a 3-year period. To order to calculate profit from external trading it will be necessary to apportion costs between trade with the Council and with External bodies. For the WOC any profit on external trade will be subject to Corporation Tax at 20% although this rate of taxation will be reduced to 17% for 2020/21 in line with the recent announcement in the Budget. After taking into account the WOC specific set-up costs there is unlikely to be any taxation liability in the early years following the formation of the WOC. More detailed Taxation Advice will be a key requirement during any transitional phase prior to a WOC becoming operational in order to accurately identify and manage this liability. Provision has been included within the estimate for external financial advice included above.

- **VAT**

The WOC would require its own separate VAT registration but as a company it would not benefit from the Councils Partial Exemption status and consequently the WOC will not be in a position to recover any VAT incurred on the provision of exempt services. For the areas in scope this would not be a significant disadvantage as the services provided are standard rated but this will be a factor that needs to be considered if additional services are brought into scope that will be trading in activities that are exempt from VAT.

No unrecoverable VAT has been included in the Financial Model projections for the WOC.

One area of VAT activity that does need careful managing from the Councils perspective is the VAT treatment of any leases granted to the WOC for the use of depots and other properties. In these situations, the standard approach would be that the council “opts to tax” leases granted to the WOC so the Council can recover VAT on maintenance expenditure it incurs to discharge its landlord responsibilities

- **Pensions**

Employees transferring to the WOC would continue to be members of the Local Government Pension Scheme (LGPS) with the WOC being an admitted body to the Cardiff and the Vale Pension fund. Normal practice is that the historical pensions deficit is not transferred and remains with the Council. An Actuarial assessment of the future obligations of the WOC to the Pension Fund to determine its employer's superannuation contribution would be required. An initial high level calculation from the Pension Fund Actuaries' has calculated an employer's rate of 20.2% for the WOC which is significantly higher than the equivalent council rate of c17%. The reasons for this differential are primarily twofold: -

- due to the age profile of employees who would transfer to the WOC which is significantly above the Council average
- the average pay of employees transferring to the WOC which is significantly below the Council average. As employees' superannuation contribution rates are banded by total pensionable pay, lower average pay results in lower employee contribution with the employer's contribution being increased in order to fund the future pension liabilities as a consequence.

Given the significant number of current Council employees who would transfer to the WOC the impact on the employer's contribution paid by the Council is likely to decrease so there is an element of offset to be considered. The additional cost to the WOC of the higher employer's contribution compared to the decrease in the equivalent Council cost will need to be considered. Further, more detailed Actuarial modelling would be a further activity required during the transitional phase prior to the WOC becoming operational and again is included in the provision for WOC specific external professional advice.

With the MIH model Employers Superannuation rates will remain unchanged as these services will remain as part of the Council.

Employers contributions for both Delivery Models will be subject to the current tri-annual review

- **Treatment of Assets**

The Council would remain the freehold owner of land and property with the WOC being granted a lease / license for its use of the various depots and other properties used by the services in scope. This would have a neutral financial impact as the cost to the WOC of using these facilities would be recovered in the charges the WOC makes back to the Council for the provision of these services. The VAT section above suggests that the Council will opt to tax these leases with the WOC recovering this VAT by virtue of providing (VAT) standard rated services.

With non-property assets the assumption is that for the majority of these the existing hire agreements would directly novate to the WOC along with the associated liability.

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Where assets under council ownership transfer a neutral impact has again been assumed with any charge from the Council for these assets, to avoid any potential State Aid implications being included in the charge back from the WOC.

- **Working Capital Requirements**

The Financial Model for the WOC has been prepared on the assumption that the Council would pay in advance for the services it purchases from the WOC which would limit its need for an overdraft or loan facility. This arrangement is commonplace with other Council operating Teckal companies. Although no working capital costs are included in the model an overdraft or on-call loan facility with the Council will be required however as a contingency in case of a deterioration in the forecast cash flow.

Any facility required will need to be provided at market rates to avoid any State Aid issues. A £500,000 overdraft facility at an interest rate of 5% would result in a weekly interest charge of c.£480 for the WOC.

By paying in advance there will be an adverse impact on the Council's cash flow as it would be paying up to 2 weeks earlier for these services compared to the in-house provision.

- **Inflation Assumptions**

The financial information included in this Business Case is shown at Current Prices, with no allowance for future Pay Awards or inflation increases. This allows a consistent comparison of costs and benefits over the 5-year period (2016/17 to 2020/21) considered in this Business Case.

### **APPENDIX 3 – SUMMARY FINANCIAL MODEL - 5 YEAR PROFILE**

	Yr. 1 (16/17) £000s	Yr. 2 (17/18) £000s	Yr. 3 (18/19) £000s	Yr. 4 (19/20) £000s	Yr. 5 (20/21) £000s	Total £000s
<b>Model Neutral Cluster Benefits</b>						
<b>Waste Cluster</b>						
Operational	0	-300	-371	-146	-50	-867
Insourcing						0
Collaboration			-50			-50
Trading	3	34	-331	-217	-178	-689
<b>: Waste Cluster</b>	<b>3</b>	<b>-266</b>	<b>-752</b>	<b>-363</b>	<b>-228</b>	<b>-1,606</b>
<b>Neighbourhood Services Cluster</b>						
Operational	0	-25	-125	-125	-75	-350
Insourcing						0

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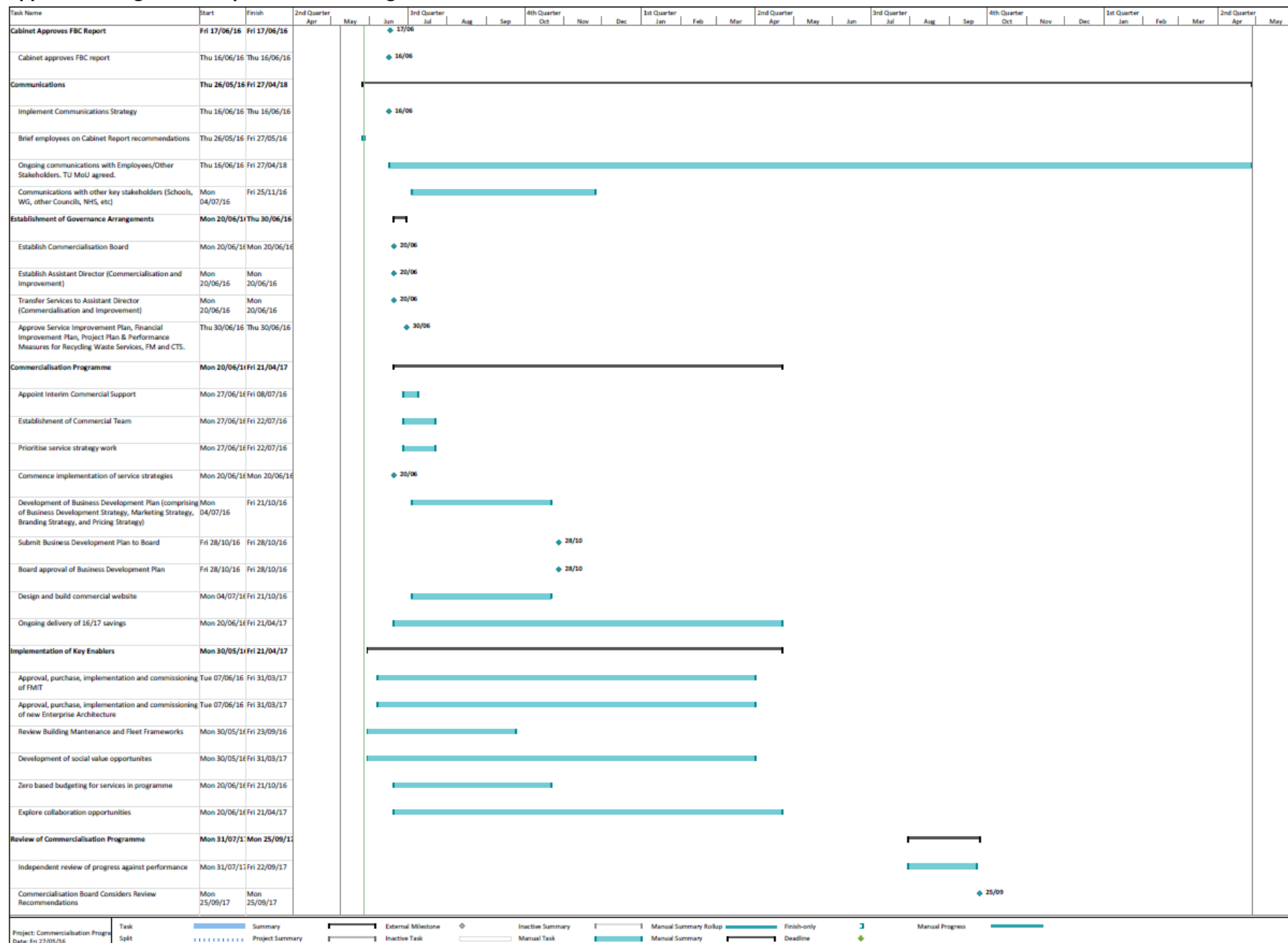
Collaboration						0
Trading	0	-49	-49	-54	-54	-206
<b>Neigh. Serv. Cluster</b>	<b>0</b>	<b>-74</b>	<b>-174</b>	<b>-179</b>	<b>-129</b>	<b>-556</b>
<b>Total FM Cluster</b>						
Operational	0	-5	-5	-5	-5	-20
Insourcing	0	-447	-446	-52	-55	-1,000
Collaboration						0
Trading	-24	-34	-80	-81	-36	-255
<b>Total FM Cluster</b>	<b>-24</b>	<b>-486</b>	<b>-531</b>	<b>-138</b>	<b>-96</b>	<b>-1,275</b>
<b>Fleet Cluster</b>						
Operational	0	-340	-235	-235	-210	-1,020
Insourcing	-25	-25	-25	-30	-35	-140
Collaboration						0
Trading	0	-75	-85	-85	-85	-330
<b>Fleet Cluster</b>	<b>-25</b>	<b>-440</b>	<b>-345</b>	<b>-350</b>	<b>-330</b>	<b>-1,490</b>
<b>Design Cluster</b>						
Operational						0
Insourcing	0	-5	-110	-100	-100	-315
Collaboration						0
Trading	0	0	-10	-10	-10	-30
<b>Design Cluster</b>	<b>0</b>	<b>-5</b>	<b>-120</b>	<b>-110</b>	<b>-110</b>	<b>-345</b>
<b>Highways Cluster</b>						
Operational	0	-151	-151	0	0	-301
Insourcing	-25	-201	-251	0	0	-476
Collaboration						0
Trading						0
<b>Highways cluster</b>	<b>-25</b>	<b>-351</b>	<b>-401</b>	<b>0</b>	<b>0</b>	<b>-777</b>
<b>Infrastructure ADM</b>						
Operational	0	-821	-887	-511	-340	-2,558
Insourcing	-50	-678	-832	-182	-190	-1,931
Collaboration	0	0	-50	0	0	-50
Trading	-21	-124	-555	-447	-363	-1,510
<b>Total Benefits</b>	<b>-71</b>	<b>-1,622</b>	<b>-2,323</b>	<b>-1,140</b>	<b>-893</b>	<b>-6,049</b>
<b>Costs</b>						
<b>One-off costs</b>						
<b>"Capital" Investment costs</b>						
Enterprise Architecture	202	148	0	0	0	350
MRF Autosorter	0	250	0	0	0	250
FMIT	150	0	0	0	0	150

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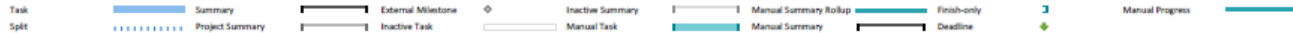
<b>"Capital" Investment costs</b>	<b>352</b>	<b>398</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>750</b>
<b>Set-up investment costs</b>						
Branding / Marketing	10	25	0	0	0	35
Commercial Expertise	200	50	0	0	0	250
<b>Set-up Investment costs</b>	<b>210</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>285</b>
<b>Total one-off Costs</b>	<b>562</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,035</b>
<b>Recurring costs</b>						
Enterprise Architecture	35	73	15	0	0	122
Training	25	75	0	0	0	100
Contingency	25	0	0	0	0	25
<b>Recurring costs</b>	<b>85</b>	<b>148</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>247</b>
<b>Total Costs</b>	<b>646</b>	<b>621</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>1,282</b>
<b>Net Benefits</b>	<b>575</b>	<b>-1,001</b>	<b>-2,308</b>	<b>-1,140</b>	<b>-893</b>	<b>-4,767</b>
<b>WOC Specific Benefits</b>						
Operational	0	0	-124	-124	-124	-371
Collaboration	0	0	-885	-885	-885	-2,655
Trading	72	7	-146	-94	-146	-307
<b>WOC Benefits</b>	<b>72</b>	<b>7</b>	<b>-1,155</b>	<b>-1,103</b>	<b>-1,155</b>	<b>-3,333</b>
<b>WOC Costs</b>						
WOC One-off costs	400	60	0	0	0	460
WOC Recurring costs	13	305	10	0	0	327
<b>Total WOC Costs</b>	<b>413</b>	<b>365</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>787</b>
<b>WOC Net Benefits</b>	<b>485</b>	<b>372</b>	<b>-1,145</b>	<b>-1,103</b>	<b>-1,155</b>	<b>-2,546</b>
<b>Total Net Benefits</b>	<b>1,060</b>	<b>-630</b>	<b>-3,453</b>	<b>-2,243</b>	<b>-2,048</b>	<b>-7,313</b>



# Appendix 4: High Level Implementation Programme



Project: Commercialisation Programme  
Date: Fri 27/05/16



**Appendix 5 – Commercialisation Programme Risk Register**

Alternative Service Delivery - Programme & Project Risk Register

**Programme Name: Strategic**

This log is used to record and track both Programme and project risks. Risks are things that may or may not happen in the future that could have an effect on a Programme or Project's success. This log includes all risks identified over the life of the Programme\Project, including those that have passed and are no longer a threat to the Programme \ Project, those that have been prevented or mitigated, and those that have become issues. Do not delete risk information from this log: it is a permanent record of risks.

Risk Description	Current Residual Status			Proposed Future Actions	Controlled Residual Status		
	Likelihood Rating (A - D)	Consequence Rating (1 - 4)	Level of inherent Risk		Likelihood Rating (A - D)	Consequence Rating (1 - 4)	Residual Risk after Controls Applied
<b>(Key Enabler)</b> Non-implementation or delay in implementation of a Fleet Management Information Technology package for the Central Transport Service.	A	1	Red	Have a clear implementation plan which identifies Key Risks to this Enabler. Assign responsibility to PM to make sure that benefits are delivered in a timely and cost effective way. Ensure budget and resources required are promptly approved and provided.	C	1	Red/Amber
<b>(Key Enabler)</b> Non-implementation or delay in implementation of new Enterprise Architecture including Rostering, Scheduling, and Mobile Working technology to facilitate operational efficiencies and improve customer services.	A	1	Red	Have a clear implementation plan which identifies Key Risks to this Enabler. Assign responsibility to PM to make sure that benefits are delivered in a timely and cost effective way. Ensure budget and resources required are promptly approved and provided.	C	1	Red/Amber
<b>(Key Enabler)</b> Lack of clarity/direction in the development of a new commercial brand together with a commercial website.	B	1	Red	Make sure that there is a clear strategy in place for the development of a new commercial brand. Ensure budget and resources required are promptly approved and provided.	C	1	Red/Amber
<b>(Key Enabler)</b> Delays in the completion of a review of the Fleet and Building Services Frameworks and actions arising from the review.	B	1	Red	Make sure that all progress of this Enabler is fed back to the Commercial Board, detailing any possible delays along with a way to mitigate these. Ensure resources required for review and implementation of actions arising are provided.	C	1	Red/Amber
<b>(Key Enabler)</b> Support for increasing apprenticeships and developing links with the NEETs agenda is delayed or not provided.	B	1	Red	Make sure that HR People Services support is available to all service areas in scope and to the Commercial Board itself. Make sure a HR representative is in close contact with Board and communications are open and accessible for any member of staff.	D	1	Amber/Green
<b>(Key Enabler)</b> Lack of adoption of the 'One-Council' approach to asset management, investment, development, and maintenance in respect of the Council's infrastructure assets.	B	1	Red	Programme for adoption of 'One-Council' approach to be developed and appropriately resourced. Implementation to be monitored by Commercial Board.	D	1	Amber/Green
<b>(Key Enabler)</b> Non-implementation or delay in implementation of zero-based budgeting for all the services in scope including the identification of clear income and cost assumptions.	B	1	Red	Methodology to be developed and agreed. Timescales to be agreed for each Service. Work to be a priority for relevant OM's. Appropriate support to be provided by Finance. Progress to be monitored by Commercial Board,	C	1	Red/Amber
<b>(Key Enabler)</b> Ineffective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies.	B	1	Red	Development and implementation of stakeholder engagement plan. Completion of Memorandum of Understanding with TU's. Establish meeting schedule with TU's.	C	1	Red/Amber
<b>(Key Enabler)</b> Lack of support in exploring collaboration opportunities with other councils and public bodies.	B	1	Red	Programme Board to agree approach and timetable for exploring collaboration opportunities with other Council's and public bodies	C	1	Red/Amber
<b>(Key Enabler)</b> Lack of internal and external resources to support the Commercial Programme.	A	1	Red	Development of resourced plan for implementation of commercial programme. Resource requirements to be approved by the Commercial Board.	C	1	Red/Amber
Commercial Programme is not managed well, resulting in slippage of timeframes and achievement of benefits due to ineffective marshalling of resources and uncertainty.	C	2	Red/Amber	Ensure plan for commercial programme is developed, monitored, and appropriately resourced to suit identified timescales. Commercial Board meetings to review progress at its meetings (two monthly).	C	3	Amber/Green
Insufficient time is built into key activities within the Commercial Programme resulting in delays in achieving identified benefits.	C	2	Red/Amber	Allow sufficient time in the development of the Commercial Strategy for key deliverables to be achieved, and consult with stakeholders from relevant disciplines to determine how long the activities should take.	C	3	Amber/Green
Failure to recognise need for inputs from different disciplines results in delays to timeframe and benefit delivery.	C	2	Red/Amber	Identify which disciplines the programme will need to draw upon when developing the project plan, and ensure enough time is built in to seek their expertise.	D	3	Green

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There is a risk that the Commercial Board lacks the skill and capacity to identify and implement the commercial programme and therefore the programme would not be able to deliver against its objectives.	B	3	Red/Amber	Assess skill/capacity gaps in the Commercial Board and identify how these should be addressed. Ensure sufficient levels of challenge and advice are sought from outside from outside of the programme.	C	3	Amber/Green
A lack of cabinet support for the implementation of strategic changes required to administer identified benefits.	B	2	Red	Engage cabinet members at key stages of the programme and ensure they are fully briefed in preparation for the sign off of any cabinet reports.	C	3	Amber/Green
Unions could oppose the implementation of any strategic change causing delays to implementation and to the achievement of identified benefits.	B	2	Red	Ensure that the Trade Unions are kept up to date with programme progress, and that sufficient time is built into the programme plan to liaise and engage with the Unions. Share drafts of programme documentation with Unions to ensure their comments are taken on board and that the documents are signed off, before the documents are circulated wider in the organisation. Ensure changes are with remit of agreed Memorandum of Understanding	C	3	Amber/Green
Political views could change during the Commercial Programme, resulting in delays or in the non-achievement of identified benefits.	B	1	Red	Ensure that there are continuous engagement and briefings with the Cabinet, to maintain buy in for the programme. Ensure that the overarching commercial strategy is based on appropriate evidence base, that is subject to external challenge and review and programme updates are regularly provided to relevant Cabinet Members.	C	1	Red/Amber
Failure to put in place all correct authorisations/delegations may result in unlawful decisions.	C	1	Red/Amber	Maintain input of corporate legal services for the programme to ensure that the programme work and decisions are carried out in a lawful manner.	D	2	Amber/Green
Lack of clear governance structure and decision making processes which would ensure efficient communication, proportionate decision making, and accountability would result in loss of direction or delays to timeframe and to the achievement of identified benefits.	C	2	Red/Amber	Adhere to PQA and democratic governance requirements, to ensure that communication around decision making and accountabilities are fully understood by all Commercial Board members and key stakeholders. Ensure that the Commercial Board receives/has access to Programme Highlight Reports and updates on project activity so that they can monitor the programme and challenge when it appears there are insufficient controls in place.	C	3	Amber/Green
Changes in Council policy and objectives could undermine the aims and objectives of the project.	C	2	Red/Amber	When any new policies or objectives are revealed, consider impact on the programme, and raise these at Commercial Board meetings. Create appropriate risks and mitigating actions if and when discovered.	C	3	Amber/Green
Industrial disputes/staffing disputes and disruption (e.g. Staff leaving) could lead to delays in timeframe and to the achievement of identified benefits.	B	2	Red	Ensure stakeholder plan makes adequate provisions to engage and consult Trade Unions at regular intervals, and what they are kept up date with the progress of the programme to minimise the potential for industrial dispute.	C	3	Amber/Green
Loss of Commercial Board members due to changes in staff or re-prioritisation of resources.	C	2	Red/Amber	Escalate any loss of resource issues as soon as known, and request for suitably experienced resource to replace any lost Commercial Board resource utilising established governance routes.	C	3	Amber/Green
Interdependencies with other projects and service areas may not be fully understood in implementing the strategic aspects of Commercial Programme.	C	2	Red/Amber	Ensure key stakeholders are involved in the programme and that the Commercial Strategy receives challenge from these stakeholders as well as senior officers through SMT etc. Any conflicts will need to be raised and escalated to the Commercial Board.	C	3	Amber/Green
Buy in from the Directorates in scope of the Commercial Programme (including Directors, Managers, and Staff) could be lacking, and result in delays in obtaining the information required to develop the Commercial Strategy.	A	2	Red	Employ thorough stakeholder management, backed up with a detailed communication plan. Ensure engagement is early and project progress is communicated at regular intervals.	B	3	Red/Amber
Lack of independent challenge at appropriate levels for the Commercial Programme to ensure robustness. This could result in time delays caused by further challenge from key stakeholders and therefore cause delays to the timeframe and to the identified benefits being delivered.	C	2	Red/Amber	Identify levels of external challenge required for the Commercial Strategy, and ensure that there is available budget and approval to appoint appropriate bodies. Ensure that the Commercialisation Programme timetables enough time to receive challenge at key stages during the programme.	D	3	Green
Services in scope do not, or are unable to, commit the required amount of internal resource to inform the Commercial Programme.	A	2	Red	Ensure that a resource plan is produced and signed off by the Commercial Board. Ensure engagements with relevant Service Managers and that the right information at the appropriate level is requested from service areas to minimise the potential of wasted effort.	B	3	Red/Amber
A lack of Scrutiny Committees (PRAP & Environmental) support for the investigation and adoption of the Commercial Programme could delay and undermine the goals of the programme.	B	2	Red	Engage Scrutiny at key stages of the programme and ensure that they are fully briefed in preparation for the sign off of any Cabinet Reports.	C	2	Red/Amber
Service areas which are not directly within the service scope (i.e. corporate centre) might not be aware of the potential impact of the Commercial Programme, or of the information that might be required from them. This could lead to project delays for a variety of reasons.	B	3	Red/Amber	Clear communication with Directors and staff from service areas outside the programmes scope, ensuring that they are made aware of programme activities and their relationship to, and potential impact upon the services out of scope.	C	3	Amber/Green
Local Government Wales Act has been approved and is a paving act for the Local Government Bill which could come into effect during the Commercial Programme. Local Government Regulations may have an impact upon the Commercial Programme.	A	2	Red	Legal team and external Legal contacts to provide feedback to Welsh Government on the act, and to keep the Commercial Board informed on the development. The programme should look to package all transactional requirements into one document for approval by Welsh Government if and when this act is enforced.	B	2	Red

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Project workstreams have identified a number of improvements that need to be delivered by the Commercial Programme, there is a risk that efficiency savings delivered as a result could be double counted within the project i.e. Fleet rationalised by Waste and vehicles identified by EA.	B	2	Red	Programme accountant to track savings delivered by programme outputs and to liaise with other programme sponsors to ensure that these are not double counted or assigned to other programmes. If savings are assigned to other programmes the impact on any assigned ADM savings will then need to be escalated to governing boards accordingly.	C	3	Amber/Green
Non implementation of individual and/or overarching strategies leading to a delay, or non-achievement of identified benefits.	B	3	Red/Amber	Ensure development of detailed resource plan for implementation of Commercial Programme and effective governance through the Commercial Board.	C	3	Amber/Green
Non-approval of decisions identified for implementation of Commercial Programme.	B	2	Red	Ensure that appropriate documents are prepared to support decisions sought from Commercial Board and that appropriate stakeholder consultation and engagement is undertaken.	C	2	Red/Amber
Inadequate comms/consultation with key stakeholders, leading to misunderstanding/ confusion around objectives leading to delays.	B	3	Red/Amber	Ensure completion of the Memorandum of Understanding. Ensure implementation of effective Stakeholder Engagement plan. Ensure timely consultations on Commercial Programme proposals.	C	3	Amber/Green
Delay in implantation of new management arrangements leading to a delay in timeframes and therefore a delay in achieving identified benefits.	B	3	Red/Amber	Procedures and associated timescales to implement adjusted management arrangements to be identified in Commercial Plan to be approved by the Commercial Board.	C	3	Amber/Green

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 8 December 2015

Councillor Bob Derbyshire  
Cabinet Member, Environment,  
Cardiff Council,  
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Dear Councillor Derbyshire,

**Policy Review & Performance Scrutiny Committee: 1 December 2015**  
**ADM Governance – Infrastructure Services Governance Options**

Please accept my sincere thanks on behalf of the Committee for attending the Policy Review and Performance Scrutiny Committee to facilitate consideration of the ADM Governance options. Please also pass the Committee's thanks to your officers who supported the scrutiny. Members of the Committee have asked me to pass on the following observations and recommendations following their discussion at the Way Forward.

The Committee notes you were keen to discuss the potential governance arrangements of an arms length company to deliver essential Council services, and is pleased you afforded Members the opportunity to contribute their views on developing proposals in a timely fashion. As you are aware we will join with the Environment Committee to scrutinise the Full Business Case, and should the Council decide to go ahead this Committee also wishes to factor scrutiny of the final contract into its future work programme.

We note the Council has commissioned external legal expertise in preparing this report, and wish to endorse the approach taken by the appointed company, *Bevan Britton*, to work *with* the in house legal team in developing its own internal expertise. We also note that the Council has commissioned external commercial advice from *Peopletoo* and, having heard how important it will be that Board Members and budget holders develop commercial acumen, we would urge that this company takes a similar approach.

To ensure tight control on the Company the Committee wishes to highlight the importance of adhering both to the Companies Act and the Council's governance requirements. We feel that it will be critical to have appropriate accounting procedures and standing orders in place for the new company. We acknowledge that the finance director will be employed by the company and answerable to its Board. Balancing the need for Council control, the Committee also wishes to caution against hampering the Company by putting in place too many reserved powers.

The Committee notes that Member and officer Board Member roles would be one and the same, and feels there needs to be clarity around the Member-Officer relationship. We note with caution your suggestion that in the longer term the Board might have little Member representation and welcome the opportunity to offer our view on this matter.

The Committee:

- Recommends that the Council takes external advice as to Member involvement in the Board;
- Endorses your suggestion that the nominated Member(s) should be non-executive Councillors;
- Endorses your view that the nominated Member(s) should ideally have business skills and expertise; and therefore;
- Considers it appropriate to adopt a competitive process to ensure the right appointment(s).

We understand that, should the proposals be accepted, the scale of the operation will require a Transition Board to be put in place. We will be seeking your co-operation for this Committee to engage with the Transition Board in monitoring the progress of matters that fall within our Terms of Reference, as the Board introduces new arrangements that impact on the finances and staff of the Council.

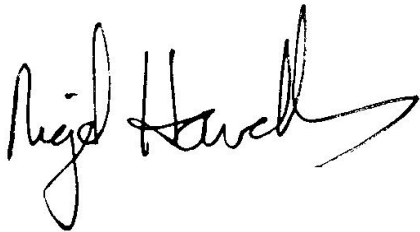
Finally, the Committee wishes to ensure that the new operating arrangements maintain the existing Council ethos of working with SME's. In this respect we would be grateful to have sight of the list of SME's with whom services under consideration for transfer to the new Company are currently working.

To recap, the Committee:

- wishes to scrutinise the final contract should the Council decide to go ahead;
- will be seeking your co-operation to engage with the Transition Board in monitoring the progress of matters that fall within our Terms of Reference;
- will be grateful to have sight of the list of SME's with whom services under consideration for transfer to the new Company are currently working.

Once again on behalf of the Committee, please pass my thanks to all who attended PRAP Scrutiny Committee to brief Members on the proposals for the governance of an arms length company to deliver many of the Council's front facing services. I look forward to scrutinising the Full Business Case together with the Environment Scrutiny Committee in due course.

Yours sincerely,



**COUNCILLOR NIGEL HOWELLS**  
**CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc

Members of the Policy Review & Performance Scrutiny Committee;  
Marie Rosenthal, Director Governance & Legal Services;  
Tara King, Assistant Director Environment  
Gareth Newell, Head of the Cabinet Office;  
Joanne Watkins, Cabinet Business Manager;

**SWYDDFA CYMORTH Y CABINET  
CABINET SUPPORT OFFICE**

Fy Nghyf / My Ref : CM32975  
Eich Cyf / Your Ref :  
Dyddiad / Date: 13th January 2016



Appendix Bii

**County Hall**  
Cardiff,  
CF10 4UW  
Tel: (029) 2087 2087

**Neuadd y Sir**  
Caerdydd,  
CF10 4UW  
Ffôn: (029) 2087 2088

Councillor Nigel Howells  
Chairperson Policy Review and Performance Committee  
Cardiff County Council  
Atlantic Wharf  
Cardiff  
CF10 4UW

Annwyl / Dear Nigel

**Policy Review & Performance Committee 1 December 2015  
ADM Governance - Infrastructure Services Governance Options**

Thank you for your letter dated 8 December 2015 in respect of the above.

Firstly, thank you for the opportunity to present information regarding the governance of a company wholly owned by the Council, should it be established under the Infrastructure Services project, to the Policy Review and Performance Scrutiny Committee on 1 December 2015.

In terms of the points/queries raised in your letter: -

**Review of Final Contract if a Wholly Owned Company is Established**

I confirm that myself and relevant officers would be happy to present proposals to Scrutiny Committee regarding the contract with the company if it is decided that this is the preferred way forward for the Council.

**Working with In-House Teams**

I confirm from the time that People Too was appointed, its representatives have been working closely with the in-house team to develop and transfer expertise in the same way now being done by Bevan Brittan regarding the provision of legal services.

**Reserved Matters**

As explained by officers at the meeting, should a company be established, it will be important that there is an appropriate balance between Council control and company autonomy. It would not be intended to include any Reserved Matters over and above those necessary to achieve this appropriate balance. It is intended that outline proposals be included within the Full Business Case which will be considered by Scrutiny ahead of Cabinet.

**PLEASE REPLY TO / ATEBWCH I :** Cabinet Support Office / Swyddfa Cymorth Y Cabinet,  
Room / Ystafell 518, County Hall / Neuadd y Sir,  
Atlantic Wharf / Glanfa'r Iwerydd, Cardiff / Caerdydd

100% o bapur a ailgylchwyd





### **Appointments to the Board**

I welcome your endorsement of the suggestion that nominated Members to serve on the Board should ideally be non-executive and have relevant business skill and expertise. I agree that it is also important that we have an open and fair process to appoint nominated Members.

### **Transition Board**

I confirm that if Council decides that a company should be established, there will be opportunity for Scrutiny to engage with the Transition Board at the appropriate time.

### **Small Medium Enterprises (SMEs) Currently Working with the Services In Scope**

A list of the SMEs currently working for the services within scope of the project will be collated and forwarded to you within the next couple of weeks.

I hope this response is helpful and I look forward to presenting the Full Business Case to the Policy Review and Performance Scrutiny Committee early February 2016.

Yn gwyir  
Yours sincerely



**Councillor / Y Cynghorydd Bob Derbyshire**  
**Cabinet Member for Environment**  
**Aelod Cabinet Dros Yr Amgylchedd**

Ref: RDB/PM/BD/15.03.16

11 April 2016

Councillor Bob Derbyshire,  
Cabinet Member for the Environment,  
County Hall,  
Atlantic Wharf,  
Cardiff,  
CF10 4UW.



Dear Councillor Derbyshire,

**Environmental Scrutiny Committee – 15 March 2016**

On behalf of the Environmental and Policy Review & Performance Scrutiny Committees' I would like to thank the officers for attending the Committee meeting on Tuesday 15 March 2016. As you are aware the meeting considered items titled 'Infrastructure Services – Full Business Case Strategy Briefing' and 'City Operations Directorate – Performance Report Quarter 3 – 2015/16'. The comments and observations made by Members following this item are set out in this letter.

**Infrastructure Services – Full Business Case Strategy Briefing**

- **Collaboration** - The documents provided for the scrutiny of the 'Infrastructure Services – Full Business Case Strategy' made several references to collaboration. Officers provided a brief explanation on what this could mean and confirmed that very high level discussions had taken place with senior officers from neighbouring authorities. I would be grateful if you could detail the collaboration opportunities which have been identified during the project and explain any actions which have taken place to develop these. Further to this the Committee would like to understand the impact that Welsh local authority reorganisation might have on both of the potential new business models; for example, the consequences of a potential merger with the Vale of Glamorgan after the creation on an wholly owned arms length company.

- **ICT** - During the meeting much emphasis was placed on the importance of introducing modern and relevant ICT into many of the services within the scope of the Infrastructure Services – Full Business Case. In particular the urgency of implementation was stressed as it appears that during the period of the project very little progress has been achieved. Discussion during the way forward concluded that purchasing successfully established off the shelf packages was a far better approach than developing our own in house systems. To add support to this I would like to re echo Recommendation 2 of the task group report titled ‘Infrastructure Business Model & Alternative Delivery Options’ which along with the Cabinet response is attached to this report as **Appendix 1**. The Committee still supports the message of Recommendation 2.
- **Central Transport Services ICT** - When discussing implementation of ICT into the services within the scope of the Infrastructure Services Full Business Case reference was made to the difficulties experienced by Central Transport Services. Despite a two to three year exercise to develop an in house solution it now appears that the Council is in the final stages of commissioning an industry recognised fleet management software package. The Assistant Director for City Operations explained that a new fleet management package would be approved within weeks; therefore, I would be grateful if you could:

  - Provide the Committee with a timeline for completing the procurement exercise for the new fleet management system along with a forecast for full implementation;
  - An explanation of why after such a long period of development the Council has decided to abandon the creation of an in house fleet management system given the poor control of accounts and detrimental impacts this has had on other department budgets for many years.
- **Governance** - Members note the scrutiny undertaken by the Policy Review & Performance Scrutiny Committee in December 2015 on the ‘Alternative Delivery Model – Infrastructure Services Building a successful

local authority trading company – Governance Options’. They are keen to ensure that governance arrangements are presented alongside the preferred option when it is presented for pre decision scrutiny in May. In addition to this they would like to stress the importance of building in the need for accountability and business control into future governance arrangements, i.e. individuals are made accountable for service delivery and that key service goals and controls are identified and built into the new contract / service specification.

- **Commercial Internal Directorate** - During the meeting the Trade Union representatives for the GMB, Unite and UCATT put forward the proposal of a ‘Commercial Internal Directorate’; this would remain within the Council and contain a range of services which would be managed with the aim of generating income. At the meeting they asked the Committee to consider the ‘Commercial Internal Directorate’ proposals, therefore, I have written to them individually asking that these are made available to Members in advance of scrutiny of the Infrastructure Services – Full Business Case on the 12<sup>th</sup> May 2016. In addition to this I have asked that they clarify any assumptions made as a part of the Infrastructure Services – Full Business Case that they do not agree with; again the same timescale applies. Members feel that it is important to consider all suggestions and view points before the Council takes such a significant decision. I will make sure that you are provided with copies of any documentation submitted by the Trade Unions on the ‘Commercial Internal Directorate’ in advance of the meeting.
- **Income** – It was noted during the meeting that a Teckal based wholly owned arms length company would only be able to generate 20% of its overall turnover from external sources and that internal services currently within the scope of the Infrastructure Services – Full Business Case are currently generating 13% of turnover from external sources. Members felt that the 7% scope for additional externally based turnover was limited and were keen to understand actual value that could be achieved by delivering

the additional 7%. To assist in preparation for the joint scrutiny meeting on the 12 May it help if you could:

- Clarify the actual value that could be achieved by delivering the additional 7% of turnover in a Teckal based wholly owned arms length company;
  - Clarify if it is legally possible to achieve an additional 7% in external turnover through the modified in house option;
  - Clarify if there are any mechanisms which can be used to legally generate more than 20% in external turnover through a modified in house company;
  - Provide Members with any business plans which have been created during project to deliver new business through both the wholly owned arms length company and modified in house options. Sight of any detailed business proposals in advance of the 12 May scrutiny would provide a clearer opportunity of the possibilities surrounding both options.
- **Body Cameras** - Members note that a request was made by Waste Enforcement Officers for body cameras – these it was felt would provide additional protection while carrying out what can sometimes be confrontational work. A trade union representative explained that this request had been rejected; therefore, I would be grateful if you could confirm why this request was turned down.

### **City Operations Directorate – Performance Report Qtr 3 – 2015/16**

- Members note that WMT/009b (the percentage of municipal waste collected by local authorities and prepared for reuse and/or recycled, including source segregated biowastes that are composted or treated biologically in another way) is still rated as ‘Amber’ despite officers being confident of reaching the 58% statutory target for 2015/16. They accept that this important performance indicator has to remain an ‘Amber’ risk until the target is met and acknowledge the delay caused by verification of the actual result. They hope that the officers confident outlook is well

placed and will continue to closely monitor the outcome of this statutory performance indicator.

- The overall Council total (Head Count) of staff eligible for PPDR completion reduced from 6,230 at the end of Quarter 2 to 5,792 at the end of Quarter 3; this was a reduction of 438 staff eligible for a PPDR. During this period City Operations reduced from 1,387 at the end of Quarter 2 to 1,328 at the end of Quarter 3; a reduction of 59 staff eligible for a PPDR. I would be grateful if you could clarify the reason for this reduction in staff eligible for PPDR.
- Some of the Members were concerned about litter levels in Cardiff. I would be grateful if you could provide the Committee with LEAMS results for all of the Cardiff wards for 2014/15 and 2015/16.
- Members note that when the City Operations Quarter 3 Performance report mentions Household Waste Recycling Centres it states that:

*'Phase 2; Charging for non-residents commenced on the 2nd Jan 2016, potential North Cardiff sites have been identified, the delay in the decision due the Call-in has resulted in the project running approx. 6 months behind the original schedule, the project is running on track for the revised schedule'.*

I would be grateful if you could explain how an item which was initially received at Cabinet on the 16 July; Called in on the 20 July; subject to the actual Call-in on the 26 August and reconsidered by Cabinet with a recommendation to take the project forward on the 1 October could create a six month delay. By my calculation this period covers 76 days which is significantly shorter than the six months (approximately 180 days) mentioned and cannot be ascribed wholly to a Call-in in my view.

I would be grateful if you would consider the above comments and provide a response to the requests made in this letter.

Regards,

A handwritten signature in black ink that reads "P. D. Mitchell". The signature is written in a cursive, slightly slanted style.

Councillor Paul Mitchell  
Chairperson Environmental Scrutiny Committee

Cc to:

Councillor Bob Derbyshire, Cabinet Member for the Environment  
Councillor Nigel Howells, Chair of the Policy Review & Performance Scrutiny  
Committee  
Andrew Gregory, Director of City Operations  
Tara King, Assistant Director of City Operations  
David Lowe, Waste Operations Manager  
Paul Keeping, Operational Manager, Scrutiny Services  
David Marr, Interim Monitoring Officer  
Angie Shiels, GMB  
Robert Collins, UCATT  
Mohamed Hassan, UNISON  
Ian Titherington, UNISON  
Harris Karim, UNITE  
Jim Pates, UNITE  
Thomas Watkins, UNITE  
Members of the Environmental Scrutiny Committee  
Members of the Policy Review & Performance Scrutiny Committee



Fy Nghyf / My Ref : CM34320  
Dyddiad / Date: 6 May 2016

Councillor P Mitchell  
Cardiff Council  
County Hall  
Atlantic Wharf  
Cardiff  
CF10 4UW

Annwyl / Dear Councillor Mitchell

**Environmental Scrutiny Committee Meeting 15<sup>th</sup> March 2016**

Thank you for your letter of 11<sup>th</sup> April regarding matters discussed at the Environmental Scrutiny Meeting on 15<sup>th</sup> March 2016.

Having considered the points raised in your letter, I respond as follows:

**Infrastructure Services – Full Business Case Strategy Briefing**

- Collaboration – the ‘overarching’ strategy shared with Scrutiny set, out at a high level, the collaboration opportunities initially identified with respect to the proposed 6 service clusters. For ease of reference, the summary table is included below:

Service Cluster	Key Collaboration Opportunities
<b>Recycling and Waste Management Services</b>	<p>Prosiect Gwyrdd has been achieved through a procured contract basis. The Council could either trade and offer services to other Councils or collaborate in a true partnership to achieve efficiencies through the integration of management and back office services:</p> <ul style="list-style-type: none"> <li>• Commercial Waste</li> <li>• Strategy function</li> <li>• Consultancy around domestic collection round modelling</li> <li>• Boundary integration</li> <li>• Fleet utilisation</li> <li>• Increase and secure longer term contracts with neighbours on recycling processing, transfer and treatment;</li> </ul>
<b>Neighbourhood Services</b>	<p>The main opportunities are to achieve efficiencies through the integration of management and back office services.</p> <p>Further opportunities include nursery sales, extending the integrated Enforcement function,</p>





	and fleet utilisation, Tree management, bordering grounds.
<b>Total Facilities Management</b>	<p>Building Services: The Council has limited internal capacity. Collaboration would be a low priority in the short to medium term. The focus would be on building internal capacity.</p> <p>Security and Cleaning: The Council could trade or collaborate with neighbouring authorities and increase commercial opportunities. There are opportunities to achieve efficiencies through the integration of management and back office services.</p> <p>Total Facilities Management: If the Council moved to a fully integrated model and could combine the marketing strategy of the Alarm Response Centre (ARC), where the Council could add the offer the ARC platform and 24/7 control with other Councils alongside the other FM services.</p> <p>Pest Control: The Council has one of the biggest services regionally. Other Councils are either ceasing services or offering minimum services. The Council could trade and/or collaborate in the delivery of Pest Control services. This would increase direct income and achieve efficiencies through the integration of management, marketing and back office services.</p>
<b>Fleet Services</b>	<p>Fleet management services could be pooled and overall costs streamlined.</p> <p>In terms of Fleet maintenance then there are opportunities to achieve efficiencies through the integration of management and back office services as well as sharing technology costs.</p> <p>Geography is also an opportunity where multiple depot facilities are nearby. Engaging with the wider public sector would enable the workshops to operate in the evenings and thereby reduce vehicle off road time and spot hire costs internally while increasing potential to insource external maintenance contracts.</p>
<b>Design Consultancy</b>	The majority of regional Councils have externalised their Design function due to a lack of internal capacity and key skills, as well as

	recruitment planning issues. There is therefore an opportunity to develop a combined traded service that can be offered to other authorities.
<b>Highways</b>	<p>Neighbouring Councils are experiencing capacity and resilience issues in delivering highway services. All Councils are increasing third party supply chains to compensate.</p> <p>Collaboration would support the achievement of efficiencies through the integration of management and back office services, sharing assets/fleet/plant in some instances. It would also provide greater buying power and improved management of the existing supplier market with the potential to create economies of scale to bring more work back internally and reduce supplier costs.</p>

Further discussions need to be held with adjacent authorities regarding these opportunities and it is intended that Cabinet be asked to approve the continuation of this dialogue when it considers the Full Business Case report in May.

It is believed that Local Government Reorganisation (LGR) would not have a detrimental impact upon the operational of either of the two models being considered. Both models would be sufficiently flexible and adaptable to accommodate any future LGR, for example, a potential merger with the Vale of Glamorgan.

**ICT** – a review of the current systems currently used by the services in scope has been undertaken. Key points identified from this review include the following:

- There is little consistency regarding how similar business processes are implemented across the different services;
- Most services deal with customers and offer services to the customers or perform tasks as a result of the customer contact. Customer records are kept on a variety of systems, thus duplicating data and creating jobs on a number of disparate systems;

The front line services in scope of the project should standardise their processes and systems used, and as part of this, they should also look to improve the customer experience by introducing more digital services. This would enable the service areas to:

- Achieve savings by unifying processes to achieve efficiency savings through:
- Utilising the workforce and resources more effectively;
- Reducing Back Office effort by automating processes where possible;
- Reducing end to end processing times;
- Reducing failure demand;
- Improving productivity, and

- Eliminate duplication of data
- Provide a more integrated process than present
- Remove manual effort from the processing of information and data;
- Improve customer journey experience and expectation, and
- Improve performance management & management information to make better informed decisions.

The same architectural improvements will be recommended for both models being considered.

In terms of new technology, it is confirmed that off the shelf packages be used as far as it is possible to do so.

The implementation of new enterprise architecture has been recognised as a key enabler for the proposed service strategies and hence Cabinet will be asked to approve the proposals when considering the Full Business Case report in May. Implementation programme will commence as soon as this authorisation is received.

**Central Transport Services FMIT** – The reason for the apparent long period of development in respect to the provision of an FMIT system relates to the shortfalls in the off the shelf FMIT systems identified when the initial review was undertaken some years ago, particularly in respect of their integration capabilities with SAP. For this reason, the Council has tried to use SAP as a platform for fleet management but it has been difficult to configure the platform to meet the business needs and provide the necessary management information. During this time, the software companies have developed their systems which mean that integration with SAP is now possible and detailed consideration is currently being given to how this integration will be achieved. Once this work is completed, assuming the output is positive, an off the shelf system will be procured and installed. It is intended that a full functional FMIT system be operation by the start of the 2017/18.

- Governance – it is confirmed that the proposed governance arrangements for the proposed way forward will be set out in the Full Business Case and associated Cabinet Report.
- Commercial Internal Directorate – I note that you have asked the Trade Unions to advise their thoughts on a 'Commercial Internal Directorate' and any comments regarding assumptions made in respect of the Full Business Case. Myself and Project team representatives have had frequent dialogue with the Trade Unions throughout the Full Business Case work and I support the engagement approach being taken by Scrutiny as described in your letter.
- Income – for a Wholly Owned Company to comply with the Teckal exemption (now incorporated into UK law through Regulation 12 of the Public Contracts Regulations 2015 (SI 2015 No 102), in addition to other requirements, the trading activity of the Company must not exceed 20% of the turnover of the company, that is, 80% or more of the activity of the company must be for the Council. In 2015/16, approximately 8% of the cumulative turnover for the services in scope was derived from external trading. Hence, assuming no change in the 'passported' work, the headroom for growth is 12%. This equates to approximately £8.8m in respect of the 2015/16 cumulative turnover of c£73m.

In order to compare trading opportunities between the modified in-house and Wholly Owned Company models, it is important to consider the legal position. In summary, the council can deliver/sell services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so – there is no need to set up a company in order to trade in this market. The Council can also provide services (provided they are not under a duty to do so) directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to do this, it has to set up a company. The Council can collaborate with any other local authority to deliver/sell services but the question which needs to be answered in each case is – to whom are the services being sold/delivered? This governs whether the Council would need to set up a company to trade the services commercially.

Proposals for commercial growth will be set out in the Full Business Case shared with Scrutiny ahead of the meeting scheduled for 12<sup>th</sup> May. Detailed business plans for each opportunity have not yet been completed but these will be immediately progressed as required following Cabinets consideration of the Full Business Case at its meeting in May.

- **Body Camera's** – Following Cabinet approval of the Corporate Body Worn Cameras Policy in January 2016, the Council's Improvement & Information Team put together an action plan to enable the successful implementation of the devices within the Civil Parking Enforcement Team for a trial period of 3 months duration. Once the trial deployment of the cameras has been reviewed by both the Service and the Improvement and Information Team, any potential further deployments will be assessed in line with the Policy. All deployments are approved by the Senior Information Risk Owner (SIRO), who has delegated authority under Scheme of Delegation to manage and maintain compliance with the Data Protection Act 1998 together with the Council's Data Protection policies and Privacy Impact Assessment requirements under the CCTV Code of Practice. It is currently envisaged that the trial will commence in May allowing evaluation at the end of the summer. The Waste Enforcement Team is making the necessary arrangements to commence using the camera's as soon as possible after the trial has been completed on the assumption that it will have been successful.

#### **City Operations Directorate – Performance Report Qtr 3 – 2015/16**

- **WMT/009a**- We welcome your continued focus on recycling performance. This is a priority for the service area and Council. We closely track the recycling tonnages, but will also show caution as there are many external factors, such as global markets and weather, that can influence our performance.
- **PPDR** – the reasons for the difference is because a number of staff left the Council - 12.5 planned FTE cuts within the 2015/16 budget plus adhoc leavers and those who change department accounts for this difference.
- **Litter Levels** – the LEAMS results for 2014/15 and 2015/16 are attached as requested. Also attached is a copy of Keep Wales Tidy's (KWT) report for the 2014/15 period. You will note from this that Cardiff's LEAMS values are slightly higher than last years (CI was 66 and % streets of Grade B and above was 93.7%). The increase on last year's performance is re-assuring, especially as the Council rolled out the new Neighbourhood Services approach city wide in February.

- **HWRC** -As you are aware the initial Cabinet decision was tabled for 16th July and subject to approval the work was due to commence quickly during the summer weather. Following the call in process the final decision had to be referred to Cabinet for a second time to reconsider the recommendations made through the call in. This meant that the final decision was not taken until 2nd October, some three months after the planned start date. Following this delayed decision the availability of project design resources needed to be realigned to the new timescale, and so did the winter weather period. In addition a solution needs to be secured for the reuse partner prior to the Wedal site closing. All of these factors have meant that the overall project timeline has moved.

I trust this response satisfactorily addresses the queries raised in your letter.

Yn gwyir  
Yours sincerely



**Councillor / Y Cynghorydd Bob Derbyshire**  
**Cabinet Member for Environment**  
**Aelod Cabinet Dros Yr Amgylchedd**

Encs

- LEAMS results for 2014/15 and 2015/16
- KWT report 2014/15

Ref: RDB/PM/BD/06.06.16

7 June 2016

Councillor Bob Derbyshire,  
Cabinet Member for the Environment,  
County Hall,  
Atlantic Wharf,  
Cardiff,  
CF10 4UW.



Dear Councillor Derbyshire,

**Joint Environmental and Policy Review & Performance Scrutiny  
Committee – 6 June 2016**

On behalf of the Environmental and Policy Review & Performance Scrutiny Committee I would like to thank you, Councillor Hinchey and officers for attending the Committee meeting on Monday 6<sup>th</sup> June 2016. As you are aware the meeting considered an item titled 'Infrastructure Services Full Business Case'. The comments and observations made by Members following these items are set out in this letter by relevant area:

**Performance & Delivery** - As the Cabinet is set to approve the Modified In House option in June 2016 the Committee believes that emphasis should now switch to monitoring the performance and delivery of the successful model. During the way forward there was a detailed discussion around how effective performance and delivery monitoring could be achieved and the following suggestions were made:

- **New Performance Measures** - The Infrastructure Services Full Business Case states that a series of performance measures will be developed to help monitor the progress of the Modified In House approach. During the meeting the Assistant Director for City Operations provided examples of the measures which could be included in the new performance monitoring package, for example, reduction in operating cost; net profit from income generated; customer baseline information and monitored performance

against the established action plan. Members feel that getting this new bundle of indicators right is essential and, therefore, ask that they are made available for scrutiny at the earliest possible opportunity. This scrutiny needs to be in advance of approval by the Commercial & Accelerated Improvement Board.

- **Project Strategic Objectives** – The Members believe that any new performance measures; business plans and action plans should clearly link back to the strategic objectives set out in the project. I hope that this will be apparent to both Committees when we review the new documents referenced above at future scrutiny.
- **Regular Monitoring** – The Committee agreed that the progress of the Modified In House approach needs to be properly monitored on a regular basis to ensure that savings and improvements are being delivered. Reviewing progress on an annual basis, for example, would not be sufficient due to the magnitude of the change required and the fact that delivery failures around specific key enablers (for example the Fleet Management Software and other ICT projects) could significantly hold back project success. All scrutiny committees receive monitoring reports on a quarterly basis, therefore, it would seem appropriate that progress and performance measures of the Modified In House approach are included in the Council's quarterly performance report – this would ensure that scrutiny receives an update every few months. Further to this Members believe that the clusters and individual services within the 'Commercial & Collaboration' programme need to be individually reported against and not simply monitored in a wider directorate context. For example, as the Council is looking for 'accelerated improvement' in clusters like 'Recycling Waste Management Services' and 'Total Facilities Management' it would seem sensible to publish indicators like achievement of savings; sickness rates; operational cost reduction and net profit from income generated against each of clusters **and individual services** within those clusters. Such transparency would make future

monitoring of those services easier, particularly if those clusters were changed or replaced by an alternative structure.

- **Modified In House Business Plan 2017 to 2021** - The Committee were concerned that the preparation of the Modified In House business plan 2017 to 2021 would not start until September 2016 with an approval date of January 2017. Members felt that business plans should have been made available alongside the Infrastructure Services Full Business Case as these should clearly identify a way forward for the new Modified In House approach. I would be grateful if you could make draft versions of the business plans available for scrutiny prior to these being presented to the Commercialisation & Accelerated Improvement Board and / or Cabinet for approval.

**Collaboration** – During the meeting there was some discussion around the collaboration opportunities for the Wholly Owned Company and the Modified In House approach. It was explained that collaboration opportunities were greater for the Wholly Owned Company; however, achievement of these within a relatively short timescale was identified as a significant risk due to the nature of collaborative working. Despite the risks associated with collaborative working arrangements Members were drawn to potential rewards of such work and, therefore, ask that the Modified In House approach actively looks for collaborative opportunities with neighbouring authorities and other local public bodies – particularly as this is something that the Welsh Government is currently encouraging. Members are aware that the Welsh Government is willing to provide collaborative grants to help develop collaborative working schemes. I would encourage you to actively pursue this funding to help sell the collective benefits to neighbouring authorities.

**Insourcing** – The Modified In House approach identified £1.931m of savings opportunities for the Council – £1m of these were from the Total Facilities Management cluster. As this £1.931m represents a significant part of the overall £4.767m saving for the Modified In House approach over the five year period, and that we should be able to accurately forecast where these



opportunities arise I would be grateful if you could provide a line by line explanation of these insourcing opportunities.

**Fleet Management** – The Committee remains concerned at the speed of implementation of the new fleet management software for Fleet Services. For the past two years scrutiny through various formats has repeatedly stressed the need to introduce a fleet management system into Central Transport Services – the failure to deliver such a package has resulted in significant additional costs being passed onto a number of very important Council services. Members welcome the fact that the Infrastructure Services Full Business Case identifies fleet management software as a key enabler for the overall Modified In House approach and that a date has been set for the start of a commissioning exercise to procure the service, however, they wish to reiterate the urgency of delivering a new fleet management system and so will monitor developments very closely over the next 10 months.

**Other ICT Projects** – Members also acknowledge the importance of the other ICT projects being developed with the support of Enterprise Architecture, for example, mobile scheduling, mobile working devices and rostering software. In a similar vein to the fleet management software implementation the Committee will be asking for regular updates over the next 10 months to ensure that these important projects remain on track to give the Modified In House approach the best chance of success.

**Projections** - The projections made in the Infrastructure Services Full Business Case were noted by the Committee. Members have agreed to monitor delivery of the Modified In House approach with interest and will look to review progress made against the figures illustrated in the Infrastructure Services Full Business Case when the independent review of progress is concluded in August / September 2017. In particular they will focus the financial modelling featured in Table 3 and Appendix 3 of the Infrastructure Services Full Business Case (using these figures as a baseline for future comparison) and delivery of the key enablers which have been identified to drive the project forward.

**Income Generation** – When considering the financial model illustrated in Appendix 3 of the Infrastructure Services Full Business Case Members were concerned that the £307,000 projected for additional trading within the Wholly Owned Company was very low. A Member provided an informed explanation on the income generation opportunities available through Fleet Services due to the high gross margin associated with carrying out MOT work for the public and private companies (65% gross margin for labour; 25% gross margin for parts). They accept that the Modified In House approach could provide an additional £1.510m over the five year period, however, based on a c£70m per annum service this seemed to be a very low figure. The Committee felt that during the overall alternative delivery model process much emphasis had been placed on income and that the final figures were disappointing. They were of the view that after a prolonged period of debate that time had come to stop thinking about opportunities and start ‘income doing’ to improve the financial position of the Council.

**Improvement of Service Quality** - The Members note that the Modified In House approach projects a saving of £4.767m over a five year period, however, the Infrastructure Services Full Business Case doesn't actually reference in detail how the Council will improve the quality of service delivery. The Committee feels that the report should place greater emphasis on improving service delivery across the range of services in scope.

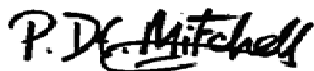
**Future Scrutiny** - As previously stated in this letter the Committee is looking to scrutinise the key elements of the Modified In House approach after it is adopted by Cabinet. In particular they look forward to:

- Being updated on Modified In House developments on a regular basis through the quarterly performance monitoring process;
- Having the opportunity to review copies of the draft business plans prior to these being approved by the Commercialisation & Accelerated Improvement Board and / or Cabinet;

- Receiving regular updates on the commissioning and procurement of the fleet management software and other ICT projects being developed with Enterprise Architecture;
- Having the opportunity to review the draft performance indicators prior to these being approved by the Commercialisation & Accelerated Improvement Board and / or Cabinet.

I would be grateful if you would consider the above comments and provide a response to the requests made in this letter.

Regards,



Councillor Paul Mitchell  
Chairperson Environmental Scrutiny Committee

Cc to:

Councillor Graham Hinchey, Cabinet Member for Corporate Services & Performance

Councillor Phil Bale, Leader

Councillor Ramesh Patel, Cabinet Member for Transport, Planning & Sustainability

Councillor Nigel Howells, Chair of the Policy Review & Performance Scrutiny Committee

Paul Orders, Chief Executive

Christine Salter, Corporate Director Resources

Andrew Gregory, Director of City Operations

Neil Hanratty, Director for Economic Development

Tara King, Assistant Director of City Operations

David Lowe, Waste Operations Manager

Marc Falconer, Accountancy Manager, Major Projects

Paul Keeping, Operational Manager, Scrutiny Services

David Marr, Interim Monitoring Officer

Angie Shiels, GMB

Ken Daniels, GMB

Robert Collins, UCATT

Mohamed Hassan, UNISON

Ian Titherington, UNISON

Harris Karim, UNITE

Jim Pates, UNITE

Thomas Watkins, UNITE

Members of the Environmental Scrutiny Committee

Members of the Policy Review & Performance Scrutiny Committee

**SWYDDFA CYMORTH Y CABINET  
CABINET SUPPORT OFFICE**

Fy Nghyf / My Ref : CM34904  
Eich Cyf / Your Ref :  
Dyddiad / Date: 10th June 2016



County Hall  
Cardiff,  
CF10 4UW  
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Councillor Paul Mitchell  
Chairperson Environmental Scrutiny Committee  
Cardiff Council  
County Hall  
Atlantic Wharf  
Cardiff  
CF10 4UW

Annwyl / Dear Paul

**Joint Environmental And Policy Review & Performance Scrutiny Committee  
- 6 June 2016**

Thank you for inviting myself and colleagues to a joint meeting of the Environmental and Policy Review & Performance Scrutiny Committee on Monday 6th June 2016. I have considered the points raised in your subsequent letter of 9th June 2016 and respond as follows:

**Performance and Delivery**

- **New Performance Measures** – I concur that it is important that an appropriate bundle of performance indicators is developed in order to monitor the progress of the new Modified In-house approach. The proposed suite will be shared with Scrutiny prior to being submitted to the Commercial & Accelerated Improvement Board for approval.
- **Project Strategic Objectives** – It is confirmed that any new performance measures, business plans and action plans will clearly link back to the strategic project objectives and be included in the Business Plan.
- **Regular Monitoring** – I agree that the progress of the Modified In House approach needs to be properly monitored on a regular basis to ensure that savings and improvements are being delivered. Arrangements are being made for monitoring reports to be produced on a quarterly basis, in line with the existing Corporate Quarterly Performance Reporting with progress

**ATEBWCH I / PLEASE REPLY TO :**

Swyddfa Cymorth Y Cabinet / Cabinet Support Office, Ystafell / Room 518, Neuadd y Sir / County Hall, Glanfa'r Iwerydd / Atlantic Wharf, Caerdydd / Cardiff, CF10 4UW,  
Ffon / Tel: (029) 2087 2631

*Mae'r Cyngor yn croesawu gohebiaeth yn Gymraeg a Saesneg a byddwn yn sicrhau ein bod yn cyfathrebu â chi yn eich dewis iaith boed yn Gymraeg, yn Saesneg neu'n ddwyieithog dim ond i chi roi gwybod i ni pa un sydd well gennych. Ni fydd gohebu yn Gymraeg yn creu unrhyw oedi.*

*The Council welcomes correspondence in English and Welsh and we will ensure that we communicate with you in the language of your choice, whether that's English, Welsh or bilingual as long as you let us know which you*



against the clusters and individual services identified in the 'proposed way forward'.

- **Modified In House Business Plan 2017 to 2021** – It was confirmed that work on the Modified In House Business Plan 2017 to 2021 has already commenced and this will be shared with Scrutiny prior to being formally submitted to the Commercial & Accelerated Improvement Board for approval. The view of the Scrutiny Members that the business plan should have been made available alongside the Infrastructure Services Full Business Case (FBC) is noted. However, it is believed that sufficient information is included in the Full Business Case to enable a thorough review of the two options to be undertaken and the best way forward identified which was the objective of this phase of the project

**Collaboration** – The Full Business Case broadly sets out opportunities for collaboration in respect of the proposed service clusters. As advised during the meeting, discussions with neighbouring authorities and other public sector organisations regarding collaboration opportunities have commenced, they will continue to find and form mutually beneficial proposals. Initial discussions with representatives from the Welsh Assembly Government have also been held. These will continue over the forthcoming months and beyond, and opportunities identified will be developed as quickly as practicable.

**Insourcing** – The sources of the values are where capacity has been identified that, with either training or technology additions, functions currently contracted can be delivered within existing Council resources and capacity. I assure you they are forecast and will be tracked in detail as part of the performance measures in line with financial savings plan monitoring.

**Fleet Management** – As stated during the meeting, the installation of a fully functional Fleet Management Information Technology (FMIT) system for Fleet Management has been identified as a priority 'key enabler'. I am pleased to report that on 7th June 2016, the Council's Investment Review Board approved a business case for the installation of a new system and procurement is now ongoing. Given the urgency of this matter, progress will be monitored very closely until the system is in place a fully functional.

**Other ICT Projects** – As stated during the meeting, similarly to the provision of an FMIT system, the installation of new technology for a number of services has been identified as a 'key enabler'. I am pleased to report that on 7th June 2016, the Council's Investment Review Board also approved a business case for the installation of a new database, rostering and mobile working technology for domestic waste collections. Development work is also progressing in respect of new technology systems for Facilities Management and similar work will also be progressed in respect of Neighbourhood Services and Highways.

**Projections** – As previously stated, the importance of monitoring progress against objectives is fully recognised. The Commercial and Accelerated Improvement Board will play a key role in progressing the proposed two complementary programmes of change. Its role will include the regular review

and challenge in respect of the ongoing service interventions and associated progress against the service strategies. As previously stated, progress against the performance measures will be shared with Scrutiny at future meetings.

**Income Generation** – It is important to note that the £307,000 is net income. As explained during the meeting, and as detailed in the FBC, the service analyses show that there is a significant variance of readiness within the services in scope to fully trade where cost base analysis, ICT, staff training and marketing strategies are inadequately developed and will take time to do so. Trading, other than growing existing trading streams, is therefore not the short term priority for many of the services given that; operational change and retention of third party spend is within the control of the Council, hence the most secure route to achieve savings and will make the services more sustainable and efficient. However, it is critical that all services become 'fit for purpose' to provide both sustainable and efficient services in the long term and grow their ability to trade. To assist with the necessary commercialisation of services, key activities (as identified in section 2.4.2.4 of the FBC) to be taken forward over the forthcoming months include:

- The establishment of a pricing strategy which has clear commercial principles and accounts for both direct and indirect costs including central establishment costs (CEC) to ensure competitive pricing whilst not over-recovering the indirect costs;
- Completion of zero-based budgeting for all the services in scope to develop a thorough understanding of the essential expenditure and control of budgets to support the future delivery model;
- Improving the current commercial function: there are existing employee's fulfilling commercial roles – it is intended that these be brought together and a Commercial Lead Person appointed to lead the commercial team across all services;
- Development of a business development strategy for each service and across the services in scope with differentiation between immediate opportunities and a longer term strategy once services are fit to trade;
- Development of a commercial brand that optimises dual brand of being public sector and commercial;
- Development of a marketing strategy and website aligned with branding and business development strategy;
- Mapping out of common customers across services both internal and external, and
- Consideration of the implementation of a policy of supporting the services in scope by ensuring that the Council across all other services seeks to utilise the services in scope rather than promoting third party spend, as long as value for money can be demonstrated and the specific services in scope are given sufficient time to become competitive.

**Improvement of Service Quality** – Improving the quality of service delivery is a key objective of the project and this is reflected in the proposed way forward. This is particularly evident in the following key enablers, identified within the

FBC, which will all have a direct positive impact upon the quality of service delivery:

- Implementation of a Fleet Management Information Technology package for the Central Transport Service;
- Implementation of the new enterprise architecture including rostering, scheduling and mobile working technology;
- Completion of a thorough review of the current fleet and building maintenance frameworks;
- Increasing the use of apprenticeships and developing further links with the NEETs agenda;
- The adoption of a 'One-Council' approach to asset management, investment, development and maintenance in respect of the Council's infrastructure assets, and
- The on-going effective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies;

Ongoing initiatives to improve performance should also be noted. For example, over the last twelve months, a pilot Neighbourhood Services scheme was piloted in the west of the city involving street cleansing, parks and highways, and steps have been taken since January 2016 to roll out this approach across the whole city. Examples of improved performance and outcomes for communities include the percentage of highways inspected of a high or acceptable standard of cleanliness (STS/005 (b)), which has increased from 86.79% in 2014/15 to 90.64% in 2015/16. In addition, the percentage of reported fly tipping incidents cleared within 5 working days (STS/006) has increased from 82.61% in 2014/15 to 97.91% in 2015/16. This supports the proposal to strengthen the ongoing operational changes and to accelerate integration of service delivery, in particular, Highway Operations, Parks Services, Street Cleansing and all environmental enforcement services as set out in the FBC.

**Future Scrutiny** – Going forward, myself and colleagues will be please to meet with the Committee when appropriate to present information regarding progress on the implementation of the proposals and other relevant matters, including those identified earlier in this letter.

I trust this response is of assistance. However, if you have any queries, please do not hesitate to contact me.

Yn gwyir  
Yours sincerely



**Y Cynghorydd / Councillor Bob Derbyshire**  
**Aelod Cabinet Dros Yr Amgylchedd**  
**Cabinet Member for Environment**

CC: Councillor Nigel Howells, Chair of the Policy Review & Performance Scrutiny Committee



## Questions asked at staff briefings

Tuesday May 25

### **Lamby Way – 6am ( Commercial waste – AM shift, Domestic waste collections – Am shift, Materials Recycling Facility staff and Waste Transfer Station staff and street cleansing night shift)**

Q: Why does the Council have a policy of keeping on agency staff for up to 9 years, in some instances, why aren't they employed as full time staff?

A: The Council doesn't have a policy on keeping agency workers for a long period of time, although it is acknowledged that some have been here for some time. The Council will be looking to advertise some permanent opportunities in the near future which agency workers may wish to apply for as they know the job. It is accepted that 9 years is too long to have agency workers.

Q: The size of waste rounds is wrong, some are far too long and some are too short. What is being done to resolve this?

A: The rounds are reviewed on a regular basis to account for a number of factors including seasonal variations. The Waste team is currently reviewing the rounds after which they will be rebalanced as required.

Q: Will our terms and conditions be protected under the modified in house model? What about our pensions?

A: There will be no changes to the Terms and Conditions or Pensions as a result of this project.

Q: The MRF is in desperate need of investment, in terms of the glass and plastic streams. How do you think we can grow income opportunities when the equipment isn't up to scratch?

A: The Project is about investing in front line staff and the equipment we use. One of the proposals arising from the project is the investment in new equipment to help separate plastics which will increase the amount of income earned from the sale of this material.

### **Central Library – 8am (Cleaning & Security)**

Q: With the changes to the way these services are delivered, will there be changes to management through a restructure?

A: This project isn't driven by restructures but by changing the mind-set of staff and changing work practices to deliver our aims of visually improving our streets through Neighbourhood Services, as well as bringing in further income opportunities through Commercial Services.. Also it is about changing the culture within employees and management. There will be some senior levels of restructure required.

Q: How can we improve the communications with our management?

A: Going forward, as an output from this project, Management will be spending more time on consulting and communicating with staff. We want staff to feedback the issues that get in the way of their work on the front line on a day to day basis. We do not claim to have all the answers but by listening to staff, we can work with them to make improvements to their job and improve the services we provide.

### **Brindley Road – 9 15am (Street Cleansing, Enforcement, Parks – City Centre and west side of the city)**

Q: To develop the opportunities to increase income, we need to invest in the front line, fleet and equipment. Where is this money coming from?

A: There is money that has been set aside for future investment. New ways of working will involve smarter ways of working, embracing mobile working and new technology.

Q: Why isn't the PR Officer sending out a press release explaining street cleansing budget has reduced over the years so that publically they understand services are not the same?

A: This project is about using the resource we have and investing in the right way to deliver services in new and better ways including the use of new technology. It has been widely publicised and consulted upon the changes we have had to make to services and that all local councils have had their budgets reduced. This also applies the majority of council services and not just street cleansing.

Q: The reporting system through the C2C is inefficient and needs to be reviewed. We have situations where staff see waste out on the street that needs to be collected but we are told to leave it, so enforcement can investigate, how is this right?

A: It is agreed that communications and processes need to be improved. In addition to a new Customer Relations Management (CRM) system being put in place for the whole Council, the Neighbourhood Services team will be reviewing working practices and processes to ensure that repeat calls are not needed.

### **Roath Park Pavilion – 10 30am (Parks)**

Q: Agency staff have been employed by the council for in excess of 5 years- how is this going to be resolved, are the trading opportunities available to them?

A: The Council will be looking to advertise some full time opportunities which would be suitable agency workers as they know the job.

Q: Will the design functions of the council originally in scope for the WOC still work together? Project design and Development, Landscaping Design and Highways Design and Delivery?

A: It is proposed that the Project Design and Development Team will sit in Commercial Services (Economic Development) and Landscape Design and Highway Design and Delivery will be in Neighbourhood Services (City Operations). However, these teams will work closely together on multi-disciplined projects

Q: What is happening with vacant and 'frozen' posts – are we able to recruit to these positions?

A: The need to recruit to vacant and 'frozen' posts will be reviewed as part of the implementation of the future business strategies that have been developed for each service within scope of the project.

Q: There needs to be a wider plan on the commercialism agenda. Is this in place?

A: Yes. This is very important for our new way of working. This is what Commercial Services is about – re-shaping services in a commercial way so they are competitive to allow us to successfully bid for contracts for the public sector, this will also support neighbourhood Services where opportunities arise.

Q: This will not work unless the Procurement framework is changed. What is being done about that?.

A: The issues with the Procurement Framework are known and we know that these costs have an impact on all the services we provide. Work to address this issue will accelerate through this new programme.

Q: We had an underspend in Parks last year – is this going to happen year after year?

A: Last year, all services had to reduce their expenditure to ensure that the overall City Operations budget was not exceeded. It is not expected that the same situation will arise this year.

Q: You say that terms and conditions and pensions will be protected but what about other payments, like on call, standby, subsistence etc. Will they be protected?

A: The value of all payments agreed through the Single Status process will remain unchanged as a result of this project.

Q: What is happening to the FM framework? It is prohibitive.

A: The current Facilities Management FM framework is due to end in the summer of 2017. The future requirements are currently being reviewed so that new appropriate arrangements will be in place when the existing framework expires.

## **Lamby Way – 12 noon (Street Cleansing, Enforcement, Parks – East side of the city)**

Q: Street cleansing has been allocated the most cuts compared with other service areas. When is this going to change?

A: All service areas have seen a real time reduction in budgets. This project is about changing the way we deliver services by using the resources available to us in better ways. Neighbourhood Services will ensure that service areas don't work in silos, but staff work together to improve the visual presence of our streets. It should also be noted that in February 2016, Council approved an additional £220k investment in the Street Cleansing service for 2016/17 together with an additional £100k for Waste Enforcement.

Q: What will these changes really mean for staff, what will change?

A: Some working practices will need to change. This will include the use of new technology to improve the services we deliver and also deliver services more efficiently. We will continue to work with staff and the trade unions on a collaborative basis to bring about these changes.

Q: You have delivered new small bins to residents but no one has enough space to put their waste. Why have we done this?

A: The Council had to achieve the recycling target of 58% by the end of March 2016. With the help of this change, a recycling rate of 58.1% (unaudited) was achieved. This is very important to the local authority, as for every percentage point missed will cost the Council up to £400k in fines. Waste minimisation is an important element to increasing the city's recycling rate and education and support for residents continues although the majority are supporting the new scheme very well.

### **Lamby Way – 2pm (Commercial Waste Collections – PM shift, Domestic Waste Collections – PM shift, Materials Recycling Facility and Waste Transfer Station staff – PM shift, and HWRC staff.)**

Q: You talk about training and development, but you are not training up new HGV drivers. We need more drivers with qualifications. What are you doing about that?

A: There is a national shortage of HGV drivers but yes, it is accepted that we need to bring on more drivers. Increasing and improving training for front line staff is part of this project and new budgets to support this, as inevitably this will benefit the Council and staff.

Q: Why doesn't the afternoon shift get the same support from CTS as the morning shift? CTS Fitters are not available in the afternoon, and sometimes we have to wait up to 3 hours if we get a puncture. What is being done about this?

A: We have to improve the efficiency in the services we provide and issues like this will be addressed as part of this work and aligning service needs with the supporting services like CTS more closely. PM shifts will get the same support as morning shifts.

### **Millicent Street – 3pm (City Centre Street Cleansing staff)**

Q: Why don't you give additional enforcement powers for front line staff?

A: This is something that we are actively looking into as part of this project. Some additional teams have all ready been trained to gather evidence to support the enforcement process. This will continue and extend to include staff multi-skilling and embracing new ways of working which will be critical to the success of the project.

Q: We need improvements in the way that staff communicate with each other, we don't have radios. What is being done about this?

A: This is precisely why we need to embark on the new way of working. Staff from different service areas need to work together to visually improve the streets of Cardiff which they will do through the assistance of the Neighbourhood Services approach. We need to change the way we work to

increase efficiency. Work is also being completed on the radio systems across the services to improve team to team communication.

Q: Why doesn't waste enforcement work alongside street cleansing staff?

A: Enforcement Officers already work alongside cleansing staff in many parts of the city. It is intended that this good working practice be fully implemented in Neighbourhood Services approach

Q: Will the service level agreements with CTS remain the same? They seem to offer a different service to different service areas.

A: We are aware of a number of issues with both the CTS framework and the FM frameworks, and we are aware that they directly impact the cost and efficiency of many council services. The SLA with services are to be reassessed alongside the frameworks.

## Wednesday May 26

### **County Hall – 7 30am (Soft FM Cleaning)**

Q: Is this a foregone conclusion or purely a proposal at this time?

A: The proposed way forward will be recommended to Cabinet on June 16 for approval. We expect the recommendation to be approved.

Q: For cleaning staff, will this affect us?

A: Cleaning staff will not see day to day change to the how they work now, but there will be different opportunities in new contracts.

Q: So it is all about 'learning' opportunities– that is what we are being offered?

A: The proposed way forward will include increased opportunities for training and development opportunities for front line staff.

### **Coleridge Road – 8 45am (Central Transport Service, Hard Facilities Management and Pest Control)**

Q: When will this project come into being?

A: Following cabinet approval – work will begin in earnest in June.

Q: Will the EU voting outcome affect things going forward for us?

A: No.

Q: Will temporary staff have the opportunity to go for full time jobs?

A: Yes when opportunities are advertised and they will be supported through the application process.

Q: Will the management be restructured?

A: The management arrangements will reflect the new way of working and staff and trade unions will be updated/consulted on the project as we progress.

Q: We haven't got enough staff – how do you expect us to take on more work?

A: The intended outcome from implementing Commercial Services is it will give the council the ability to grow revenues, while retaining and even increasing staff, as commercial opportunities are secured.

Q: Have the Unions had a guarantee on regarding apprenticeships, taking on agency staff, increasing part time of full time staff?

A: The Council is committed to delivering an apprenticeships and training and development schemes that are fit for purpose and allows career progression within the Council. Ultimately, the increase in jobs will be dependent on the success of the project and hence management, Unions and staff have a big part to collectively play in this.

Q: I am an apprentice and now that I have finished, there doesn't seem to be any progression. How will this be changed?

A: This point is noted. This is an essential part of the project to bring in new people and train them, and continue to develop them, so we don't have a skills shortage in the future. In parts of the Council the average age is above 50. This isn't sustainable and this is why it is such an important part of the project.

Q: The Council should be run like a business and this should have happened over 5 years ago. Why wasn't it?

This is what this project is about. Ensuring that Neighbourhood Services continues to improve to ensure that the streets are cleaner and pot holes are managed better, while extending our client base by make services more commercial, through Commercial Services so they are run like a business.

## **Brindley Road – 9 45am (Highway Operations)**

Q: There is work in the council that is being outsourced to contractors –especially in FM. Why? Drainage has capacity to do this work.

A: This point is noted and is being addressed as part of this project.

Q: The management do not seem to be listening, we have told you how we can improve. For example old parts that are taken off street lights, as part of the LED work aren't being kept for reuse. These could be reused when other lamps go wrong, yet we have to buy new ones. It doesn't make sense. Why?

A: The management will listen and have been instructed to this effect. The contract for this specific issue has been explained to the staff involved. When reusing parts is an option and cost effective to the Council – then we will look to implement. This has to be done a case by case basis.

Q: You talk about mobile working and new technology. You need to bring in the expertise brought in to understand that IT/mobile working for the scheme to work. Will this be done?

A: We will ensure that mobile and agile working is done properly and staff fully understand how to use the equipment which will be used to improve efficiency and the new way of working, as this will benefit the council.

### **County Hall – 11am (Highway Operations, Highways Asset Management, Highways Engineering and Highways Design and Delivery)**

Q: How will the income you talk about be generated?

A: By becoming more efficient, improving the quality of services we deliver, which will result in an increase in the client base, money gained can then be reinvested in core services.

Q: How will commercial services and neighbourhood services work together?

A: Whilst these will be managed separately, the Teams will be working closer together. The services in both these areas need to be improved and become more efficient, and new technology will play an important part in this. The focus for Neighbourhood Services is to improve the visual presence of Cardiff's streets. The focus for Commercial services will be to increase income by re-shaping the services in scope in a more commercial way, so we can package services and sell them to neighbouring authorities, other public bodies and also private sector organisations

Q: We need to manage our assets as one council – how is this being done?

A: This is an essential part of the project. Our assets have to be managed effectively for the project to work and we are committed to ensuring this happens.

Q: Will there be another re-structure?

A: Not necessarily. This isn't about restructuring staff, this is about ensuring that we can deliver services in a more effective way for both the residents we serve and the clients which we deliver contracts for.

Q: For administration staff, if it is centralised, will you need all the staff still?

A: There will always be a need for back office support staff, whether they work within a directorate or centrally.

Q: Will systems be put in place to ensure that work can't be outsourced to the private sector before Council Service Area's determine whether they can carry out the work cost effectively?

A: Yes. Some work is contracted out for good reason but we will be looking to put in a system to ensure that work that can be carried out by the Council, is carried out by the Council. This is again part of the project.

## **County Hall – 1pm (Projects Design and Development)**

Q: How are we going to deal with competitiveness, in terms of wages? With job evaluation lowering employees' wages, they will just go elsewhere.

A: As discussed at previous meetings, it is believed that an attractive 'Cardiff offer' can be put together and offered as part of recruitment process.

Q: After the Cabinet decision on June 16<sup>th</sup>, what will happen from June 17<sup>th</sup> onwards?

A: The Project will move at 'full steam ahead' with the improvement work packages commencing straight away. It is important that the project is successful so that slicing of budgets is not continued.

Q: What is the structure for the project? Who will make up the commercial board and how will it work?

A: The Commercial Board will be made up the Chief Executive, relevant Directors and potential an external person with appropriate commercial skills and experience. Tara King (Assistant Director) will lead Cardiff Commercial Services and report directly to the Commercial Board. Andrew Gregory will lead Neighbourhood Services which will continue to form part of the City Operations Directorate.

Q: Have you actually got the resources to bid for new work?

A: Existing resources who all ready bid for work will be pooled together and additional resources will be put in place to bid successfully for new work

Q: Don't you think there is an issue with job recruitment, in light of job evaluation?

A: Not particularly. We appreciate that Job Evaluation may have had a negative impact on staff morale in some places. However, an investment in the training and development of front line staff which in effect will benefit the Council will help address this. In terms of new recruitment, as previously stated, it is believed that an attractive 'Cardiff offer' can be put together and offered as part of recruitment process.

Q: What is the timeline for reviewing the progress of the project?

A: The progress of the project will be reported to the Commercial Board on a monthly basis.

Q: The SharePoint software doesn't work for Projects Design and Development and we told ICT that and they just ignored us.

A: This point is taken and we will work with ICT to ensure that the software that is provided is fit for purpose.

Q: Is there a longer term view that Cardiff Commercial Services will become a Wholly Owned Company?

A: No – the only recommendation put forward at this stage is the development of the Modified In-House model as described.



Q: Will the back office support in the council (HR, legal, ICT, etc) give the commercial arm of the council priority?

A: The project will ensure that the back office support required to achieve the project objectives will be provided.

### **County Hall - 2pm (Hard Facilities management and Soft Facilities Management)**

Q: Will all of Facilities Management operate under Economic Development?

A: Yes, both hard FM and Soft FM will be part of Commercial Services, which will operate under Economic Development.

Q: Is this Modified In-House model a half way measure towards a Wholly Owned Company?

A: No – the only recommendation put forward at this stage is the development of the Modified In-House model as described.

Q: Procurement and Facilities Management pose significant obstacles to the rest of the services areas running efficiently. What is being done about this?

A: This is understood and both the Procurement processes and Facilities Management framework are being reviewed and form part of this project.

Q: What is the monitoring schedule for the project? Have timescales been set?

A: The progress of the project will be reported to the Commercial Board on a monthly basis.

## **Service Improvement Agenda (Infrastructure Services) - Memorandum of Understanding**

The Council wishes to work with the Trade Unions in partnership on a programme for reform, across the whole of the services previously identified as in scope of the Infrastructure Services ADM, which both sides sign up to via a memorandum of understanding. The principles of this partnership with the trade unions would include the following proposal:

- The Council wishes to proceed on the basis of a deal which creates a level of certainty for staff, however there needs to be recognition that in order to provide such certainty, service improvements will be required across all services and within timescales and resources outlined in the Cabinet Report on Infrastructure services dated 16<sup>th</sup> June 2016 to make them viable into the future, and ready when appropriate to provide additional income into the Council.

The Council and the trade unions will use best endeavours to ensure employment continuity through agreeing to work in partnership in order to ensure staff are not unsettled by change

**The Trade Unions are not prepared to negotiate detrimental changes to their members' terms and conditions of employment and this is not the intention of the Council as part of this agreement.**

### **The context**

The current economic crisis and the subsequent reduction in the Council's budget has resulted in the need for the Council to move rapidly to implement service improvements that enable efficient management of current and future demand with reduced resources.

The objectives of the review of services under the title of 'Infrastructure' are:

- To reduce operating costs;
- To improve outcomes to address current performance weaknesses;
- To improve customer satisfaction, to reduce failure demand and to effectively address the increasing demand for services;
- To develop partnership and collaborative working, where appropriate; and,
- To optimise income generation in order to positively contribute to core funded services.

It is important that we have the ability to make the transition to meet these objectives in a seamless and effective way. The Council recognises the dedication and talent of its staff to assist in this change.

A Cabinet Report on 16<sup>th</sup> July 2015 recommended that a full business case be undertaken on a Wholly Owned Company and a Modified In-House to assess them against the objectives outlined above.

## **The way forward**

Pending Cabinet approval of the recommendation, more immediate shaping and stakeholder work needs to be undertaken and it is best placed to do this in-house.

Our approach is guided by the proposition that we want the right number of people, with the right set of skills, who want to work for us because they feel that they are paid fairly, treated with respect and supportively as individuals with needs and aspirations and are allowed to do their job in the best way for the City of Cardiff Council with the right tools and in a good environment.

In order to meet the service improvement agenda the Council is committed to:

1. **The Modernisation of Services:**
  - Reform of services through new ways of working e.g. mobile working technology. The use of technology to be used to support the more efficient delivery of services; aid in cost reduction and income generation; and, provide employees with increased flexibility to discharge their responsibilities and deliver services required. This will include providing relevant and timely training to employees impacted.
  - Review of structures and working practices to ensure that they meet the requirements of a modern, commercial organisation
2. **A Flexible Workforce:**
  - Development of a multi-skilled workforce, thereby increasing the flexibility, efficiency and productivity within services and retaining jobs, knowledge, skills and know how within the Council.
  - Workforce planning, resourcing strategies such as apprenticeships, and training and development opportunities which support the workforce and provide succession planning for services.
3. **Income Generation:**
  - Development of collaboration and income opportunities in order to achieve the priority of increasing the income into the Council to assist in the delivery of savings required in the Services.
  - Better understanding of the relationship between costs and income in delivering a service in order to ensure that they can be as commercial as possible.
4. **Regular consultation:**
  - In order to ensure full and meaningful consultation on proposals and so that decisions can be made as quickly as possible, there will be formalised fortnightly consultations between Elected Members, Senior Officers, and Trade Unions.

The Council and the trade unions agree to support the service improvement agenda as outlined above and to take part in constructive consultation on changes and developments which will need to be implemented in order to meet the overall objectives.

### Conclusion

Services in their current form cannot continue, and the recommendation being put to Cabinet on 16<sup>th</sup> June 2016 is that, at this stage services should be given the opportunity to improve and work towards the objectives by remaining in-house. However, there will need to be significant service improvements, as outlined under points 1 to 4 of this MOU, put in place and both the Council and Trade Unions accept that this is necessary.

This Agreement is a commitment from both the Council and the Trade Unions to engage with the programme for reform.

**Both parties are committed to engaging in further consultations.**

**The Trade Unions are not prepared to negotiate detrimental changes to their members' terms and conditions of employment.**

**We would seek to conclude discussions on this MOU by 31<sup>st</sup> May 2016, including a notification from Trade Unions of the intention to sign. The MOU would then be concluded by signatures by 9<sup>th</sup> June 2016.**

**Signed City of Cardiff Council and the Recognised Trade Unions**

Signed on behalf of the Trade Unions

GMB



Date

9/6/16

Unison



Date

9/6/16

UNITE



Date

9/6/16

UCATT



Date

9/6/16

Signed on behalf of the Council

*2.7.17*

Date

*9/6/16*

Cllr Bob Derbyshire  
Cabinet Member for Environment

Date

*Graham Hinchey*

*9/6/16*

Cllr Graham Hinchey  
Cabinet Member for Corporate Services &  
Performance

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**



**Policy/Strategy/Project/Procedure/Service/Function Title:** Alternative Delivery Model (ADM)

**New/Existing/Updating/Amending:** New

**Who is responsible for developing and implementing the Policy/Strategy/Project/Procedure/Service/Function?**

Name: Tara King

Job Title: Assistant Director

Project Team: Infrastructure ADM

Service Area: City Operations Directorate

Assessment Date: 01/06/2016

**1. What are the objectives of the Policy/Strategy/Project/ Procedure/ Service/Function?**

Known as the Alternative Delivery Model (ADM), the main objective of the project is to engage with key stakeholders (Elected Members, Trade Unions and Employees) and identify and implement the most appropriate future service delivery model to: improve service delivery performance; improve customer satisfaction and reduce failure demand; develop effective partnership and collaborative opportunities; reduce operating costs, and develop income opportunities.

This screening assessment has been prepared for the output from Phase 3 of the project which comprises of the implementation of the proposed future delivery model agreed by Cabinet. This involves realigning the services within scope of the project into two complementary programmes of change: Developing Cardiff Commercial Services and Transforming Neighbourhood Services. Key improvements proposed include the provision of new technology and further training and development for frontline resources.

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

**Alternative Delivery Model (ADM)**

Phase 1 of the project was completed in November 2014 when a Cabinet Report was submitted, resulting in the number of models being considered reducing from seven to five and permission being granted to carry out a soft market testing exercise. It was also advised that Phase 2 would be completed with the submission of an Outline Business Case, making recommendations for which model(s) should be used to deliver the services in scope to achieve the required savings opportunity.

In regards to Phase 1 an EIA and PIA were completed and submitted accordingly.

Phase 2 of the project was completed on 15th July 2015 when the Council's Cabinet approved

## CARDIFF COUNCIL

### Equality Impact Assessment Corporate Assessment Template

that a full business case analysis be undertaken to decide whether a Modified In-house or a Council Wholly Owned Company approach would be the best way forward for the services in scope of the project.

The Full Business Case analysis included the preparation of separate future strategies for each service as well as an 'overarching' strategy for all services in scope. This work has now been completed and it is recommended that within scope of the project be realigned into two complementary programmes of change: Developing Cardiff Commercial Services and Transforming Neighbourhood Services. Cabinet is scheduled to meet and consider this recommended way forward at its meeting on 16th June 2016.

### 3 Assess Impact on the Protected Characteristics

#### 3.1 Age

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

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

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

#### 3.2 Disability

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

	Yes	No	N/A
Hearing Impairment		✓	
Physical Impairment		✓	
Visual Impairment		✓	
Learning Disability		✓	
Long-Standing Illness or Health Condition		✓	

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

Mental Health		✓	
Substance Misuse		✓	
Other		✓	

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

### 3.3 Gender Reassignment

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

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

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

### 3.4. Marriage and Civil Partnership

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

	Yes	No	N/A
Marriage		✓	
Civil Partnership		✓	



## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

<b>Please give details/consequences of the differential impact, and provide supporting evidence, if any.</b>
It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.
<b>What action(s) can you take to address the differential impact?</b>
It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

**3.5 Pregnancy and Maternity**

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

	Yes	No	N/A
Pregnancy		✓	
Maternity		✓	

<b>Please give details/consequences of the differential impact, and provide supporting evidence, if any.</b>
It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.
<b>What action(s) can you take to address the differential impact?</b>
It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

**3.6 Race**

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

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

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

<b>Please give details/consequences of the differential impact, and provide supporting evidence, if any.</b>
It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.
<b>What action(s) can you take to address the differential impact?</b>
It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

**3.7 Religion, Belief or Non-Belief**

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

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

<b>Please give details/consequences of the differential impact, and provide supporting evidence, if any.</b>
It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.
<b>What action(s) can you take to address the differential impact?</b>
It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

**3.8 Sex**

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

	Yes	No	N/A

## CARDIFF COUNCIL

**Equality Impact Assessment  
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Men		✓	
Women		✓	

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

### 3.9 Sexual Orientation

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

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

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

### 3.10 Welsh Language

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

	Yes	No	N/A
Welsh Language		✓	

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

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

It is not likely that the adoption of the Alternative Delivery Model (ADM) and the resultant changes will have any differential impact on the community or staff delivering the services.

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

However, at all stages, consultation and project/service area documentation will be provided bilingually (in both English and Welsh and any other format as required). All service areas will also still have to follow the City of Cardiff Councils Bilingual Policy and the Welsh Governments new Welsh Language Legislation.

#### **4. Consultation and Engagement**

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

It is not believed that any differential impact will result from any changes currently being proposed. However, detailed consideration will be given prior to any changes being implemented, and if necessary, service specific community engagement and accompanying Equality Impact Assessments (EIA) may have to be conducted further into this process. This approach will assist the way the City of Cardiff Council identify any differential impacts and corresponding mitigations that may be required.

If specific engagement is required, it is proposed that a range of engagement vehicles, included those below, be adopted: -

- Over 50 forum
- Cardiff Council Access Focus Group
- Cardiff Debate/Ask Cardiff
- Employee Roadshows/Staff Ambassadors
- Local Committee Groups
- Local Religious Groups

#### **5. Summary of Actions [Listed in the Sections above]**

<b>Groups</b>	<b>Actions</b>
Age	Please See above

## CARDIFF COUNCIL

**Equality Impact Assessment  
Corporate Assessment Template**

Disability	Please See above
Gender Reassignment	Please See above
Marriage & Civil Partnership	Please See above
Pregnancy & Maternity	Please See above
Race	Please See above
Religion/Belief	Please See above
Sex	Please See above
Sexual Orientation	Please See above
Welsh Language	Please see above
Generic Over-Arching [applicable to all the above groups]	Please See above

**6. Further Action**

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

**7. Authorisation**

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

Completed By : Callum McCourt	Date: 01/06/2016
Designation: Tara King	
Approved By: David Lowe	
Designation: Tara King	
Project Team: Infrastructure ADM	

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

For further information or assistance, please contact the Citizen Focus Team on 029 2087 3059 or email [citizenfocus@cardiff.gov.uk](mailto:citizenfocus@cardiff.gov.uk)

However, at all stages consultation and project/service area documentation will be provided bilingually (in both English and Welsh and any other format as required). All service areas will also still have to follow the City of Cardiff Councils Bilingual Policy and the Welsh Governments new Welsh Language Legislation.

## Cardiff Council

### Statutory Screening Tool Guidance

If you are developing a strategy, policy or activity that is likely to impact people, communities or land use in any way then there are a number of statutory requirements that apply. Failure to comply with these requirements, or demonstrate due regard, can expose the Council to legal challenge or other forms of reproach.

For instance, this will apply to strategies (i.e. Housing Strategy or Disabled Play Strategy), policies (i.e. Procurement Policy) or activity (i.e. developing new play area).

Completing the Statutory Screening Tool will ensure that all Cardiff Council strategies, policies and activities comply with relevant statutory obligations and responsibilities. Where a more detailed consideration of an issue is required, the Screening Tool will identify if there is a need for a full impact assessment, as relevant.

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The main statutory requirements that strategies, policies or activities must reflect include:

- **Equality Act 2010 - Equality Impact Assessment**
- **Welsh Government's Sustainable Development Bill**
- **Welsh Government's Statutory Guidance - Shared Purpose Shared Delivery**
- **United Nations Convention on the Rights of the Child**
- **United Nations Principles for Older Persons**
- **Welsh Language Measure 2011**
- **Health Impact Assessment**
- **Habitats Regulations Assessment**
- **Strategic Environmental Assessment**

This Statutory Screening Tool allows us to meet all the requirements of all these pieces of legislation as part of an integrated screening method that usually taken no longer than an hour.

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The Screening Tool can be completed as a self assessment or as part of a facilitated session, should further support be needed. For further information or if you require a facilitated session please contact the Policy, Partnerships and Citizen Focus Team on 02920 72685 e-mail: [nwood@cardiff.gov.uk](mailto:nwood@cardiff.gov.uk). Please note:

- **The completed Screening Tool must be submitted as an appendix with the Cabinet report.**
- **The completed screening tool will be published on the intranet.**

## Statutory Screening Tool

<b>Name of Activity:</b> Infrastructure Alternative Delivery Model Project – Phase 3 Full Business Case	<b>Date of Screening: May 2016</b>
<b>Service Area/Section:</b> Waste Collections (commercial and residential); Waste Treatment and Disposal; Waste Education and Enforcement; Street Cleansing; Pest Control; Parks Management and Development; Highways Operations; Highways Asset Management; Design and Delivery; Central Transport Service; Hard Facilities Management; Soft Facilities Management – Cleaning, Security, Building Management; Projects; Design and Development	<b>Lead Officer:</b>  Tara King Assistant Director – City Operations Directorate
<b>Attendees:</b> Screening completed by DCL	

<b>What are the objectives of the Policy/Strategy/Project/Procedure/Service/Function</b>	<b>Please provide background information on the Policy/Strategy/Project/Procedure/Service/Function and any research done [e.g. service users data against demographic statistics, similar EIAs done etc.]</b>
<p>The main objective of the project is to engage with key stakeholders (Elected Members, Trade Unions and Employees) and identify and implement the most appropriate future service delivery model to: improve service delivery performance; improve customer satisfaction and reduce failure demand; develop effective partnership and collaborative opportunities; reduce operating costs, and develop income opportunities.</p> <p>This screening assessment has been prepared for the output from Phase 3 of the project which comprised the completion of a Full Business Case analysis of the Modified In-house and Wholly Owned Company alternative delivery models.</p>	<p>Phase 1 of the project was completed in November 2014 when a Cabinet Report was submitted, resulting in the number of models being considered reducing from seven to five and permission being granted to carry out a soft market testing exercise. It was also advised that Phase 2 would be completed with the submission of an Outline Business Case, making recommendations for which model(s) should be used to deliver the services in scope to achieve the required savings opportunity.</p> <p>In regards to Phase 1 an EIA and PIA were completed and submitted accordingly.</p> <p>Phase 2 of the project was completed on 15th July 2016 when the Council’s Cabinet approved that a full business case analysis be undertaken to decide whether a Modified In-house or a Council Wholly Owned Company approach</p>

	would be the best way forward for the services in scope of the project. The Full Business Case analysis included the preparation of separate future strategies for each service as well as an 'overarching' strategy for all services in scope. This work has now been completed and it is recommended that the Modified In-house alternative delivery model be adopted going forward. Cabinet is scheduled to meet and consider this recommended way forward at its meeting on 16th June 2016.
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## Part 1: Impact on outcomes and due regard to Sustainable Development

Please use the following scale when considering what contribution the activity makes:		
<b>+</b>	Positive	Positive contribution to the outcome
<b>-</b>	Negative	Negative contribution to the outcome
<b>ntrl</b>	Neutral	Neutral contribution to the outcome
<b>Uncertain</b>	Not Sure	Uncertain if any contribution is made to the outcome

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
<b>1.1</b>	<b>People in Cardiff are healthy;</b> <i>Consider the potential impact on</i> <ul style="list-style-type: none"> <li><i>the promotion of good health, prevention of damaging behaviour, promote healthy eating/active lifestyles etc,</i></li> <li><i>vulnerable citizens and areas of multiple deprivation</i></li> <li><i>Addressing instances of inequality in health</i></li> </ul>	✓				<p>The Modified In-house (MIH) approach will include the continuation of the implementation of Council policies. This includes the Wellbeing and Attendance Policy which has the objective of improving the wellbeing of employees as well as attendance at work.</p> <p>Additionally the services in scope are considered as enabling services focused on the outdoor environment. An improved performance in these areas will help to ensure that citizens of Cardiff continue to have access to well-maintained open spaces which help to promote healthy and active lifestyles.</p>
<b>1.2</b>	<b>People in Cardiff have a clean, attractive and sustainable</b>	✓				A number of the services in scope are reliant on fleet, and there



	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
	<b>environment;</b> <i>Consider the potential impact on</i> <ul style="list-style-type: none"> <li><i>the causes and consequences of Climate Change and creating a carbon lite city</i></li> </ul>					<p>are a number of efficiency initiatives identified in the strategies which will result in a reduction of the carbon footprint via better routing of vehicles and management of driver behaviour.</p> <p>The Highways Service has an ongoing objective of reducing street lighting energy use, including dimming and the use of LED's, which will reduce the carbon footprint.</p> <p>The design services in scope also are aligned to various frameworks aimed at more sustainable design, including initiatives that would reduce the carbon footprint.</p>
	<ul style="list-style-type: none"> <li><i>encouraging walking, cycling, and use of public transport and improving access to countryside and open space</i></li> </ul>	✓				<p>There is no specific service strategy focus on encouraging walking, cycling etc.</p> <p>However improvements relevant to the Highway and Parks service areas should ultimately provide better access to countryside and open space, as well as the more efficient maintenance of footways and cycleways.</p>
	<ul style="list-style-type: none"> <li><i>reducing environmental pollution (land, air, noise and water)</i></li> </ul>	✓				<p>The Waste Services are focused on diverting waste from landfill and improving fly tipping removal and enforcement. This would reduce the levels of land pollution.</p> <p>The Parks Service is also focused on increasing biodiversity and looking to better maintain and increase the tree stock which would assist in reducing air pollution levels.</p>
	<ul style="list-style-type: none"> <li><i>reducing consumption and encouraging waste reduction, reuse, recycling and recovery</i></li> </ul>	✓				<p>The Waste Services are focused on waste reduction, waste recovery and increasing recycling.</p>
	<ul style="list-style-type: none"> <li><i>encouraging biodiversity</i></li> </ul>	✓				<p>The Parks Service has the objective of increasing biodiversity within the city and compliance with obligations.</p>
<b>1.3</b>	<b>People in Cardiff are safe and feel safe;</b> <i>Consider the potential impact on</i>	✓				<p>An increase in performance of streetscene services, particularly the waste and cleansing services, will reduce the amount of</p>

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
	<ul style="list-style-type: none"> <li>reducing crime, fear of crime and increasing safety of individuals</li> <li>addressing anti-social behaviour</li> <li>protecting vulnerable adults and children in Cardiff from harm or abuse</li> </ul>					litter, waste and fly-tipping on the streets, which will have a positive impact upon the environment and assist with the reduction of crime and anti-social behaviour.
1.4	<p><b>Cardiff has a thriving and prosperous economy;</b> Consider the potential impact on</p> <ul style="list-style-type: none"> <li>economic competitiveness (enterprise activity, social enterprises, average earnings, improve productivity)</li> <li>Assisting those Not in Education, Employment or Training</li> <li>attracting and retaining workers (new employment and training opportunities, increase the value of employment,)</li> <li>promoting local procurement opportunities or enhancing the capacity of local companies to compete</li> </ul>	✓				<p>All of the services in scope of the project will have a positive impact on this citizen focused outcome</p> <p>Many of the individual strategies, and also the 'overarching strategy, have the objective of expand apprenticeship, work placement and graduate opportunities.</p> <p>The strategies also have a focusing on upskilling and investment in training of the existing workforce in order to help individuals reach their potential.</p> <p>The strategies for the services and models in scope also have a focus on increasing the quantum of services delivered internally resulting in growth of the service area, providing further job opportunities in the local economy.</p> <p>Where works need to be procured, there are frameworks in place and a general overall strategic principle to make further and better use of local SMEs.</p>
1.5	<p><b>People in Cardiff achieve their full potential;</b> Consider the potential impact on</p> <ul style="list-style-type: none"> <li>promoting and improving access to life-long learning in Cardiff</li> <li>raising levels of skills and qualifications</li> <li>giving children the best start</li> <li>improving the understanding of sustainability</li> <li>addressing child poverty (financial poverty, access poverty,</li> </ul>	✓				<p>As per 1.4.</p> <p>In addition , some services in scope in scope (e.g. street Cleansing, Parks) have the objective of further improving engagement with/and use of volunteer groups, which will improve access to life-long learning, raising levels of skills &amp; qualifications as well as improving the understanding of</p>

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
	<ul style="list-style-type: none"> <li>participation poverty)</li> <li>the United Nations Convention on the Rights of a Child and Principles for Older persons</li> </ul>					sustainability.
1.6	<b>Cardiff is a Great Place to Live, Work and Play</b> <i>Consider the potential impact on</i> <ul style="list-style-type: none"> <li>promoting the cultural diversity of Cardiff</li> <li>encouraging participation and access for all to physical activity, leisure &amp; culture</li> <li>play opportunities for Children and Young People</li> <li>protecting and enhancing the landscape and historic heritage of Cardiff</li> <li>promoting the City's international links</li> </ul>	✓				<p>The strategies for the services in scope will help ensure that there is continued access to open spaces for citizens of Cardiff and maintenance of outdoor recreational areas.</p> <p>The design services will also ensure there is proper accessibility in design of new works, and that restoration works in conservation areas are treated sympathetically.</p> <p>As per 1.5, further engagement and use of volunteer groups for a variety of services will also help to promote the cultural diversity of Cardiff.</p>
1.7	<b>Cardiff is a fair, just and inclusive society.</b> <i>Consider the potential impact on</i> <ul style="list-style-type: none"> <li>the elimination of discrimination, harassment or victimisation for equality groups</li> </ul>			✓		All the services in scope would continue to adhere to the principles of the Council's own equality policies and procedures.
	<ul style="list-style-type: none"> <li>has the community or stakeholders been engaged in developing the strategy/policy/activity?</li> <li>how will citizen participation be encouraged (encouraging actions that consider different forms of consultation, through more in depth engagement to full participation in service development and delivery)?</li> </ul>	✓				<p>For any design of schemes (building, infrastructure or landscape) there will continue to be public consultation.</p> <p>The project has also utilised the 'Changes for Cardiff' budget consultation exercise to help inform the considerations regarding the preferred alternative delivery model to be adopted going forward. strategies and project.</p> <p>As per 1.4-1.6 there is a strategic focus on further developing engagement and use of voluntary and community/friends groups which will clearly encourage citizen participation in</p>

	Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation
		+	-	Ntrl	Un-Crtn	
						service development and delivery (for certain services).
<b>1.8</b>	<p><b>The Council delivers positive outcomes for the city and its citizens through strong partnerships</b></p> <p><i>Consider the potential impact on</i></p> <ul style="list-style-type: none"> <li><i>strengthening partnerships with business and voluntary sectors</i></li> <li><i>the collaboration agenda and the potential for shared services, cross-boundary working and efficiency savings</i></li> </ul>	✓				<p>As per 1.4-1.6 there is a strategic focus on further developing engagement and use of voluntary and community/friends groups which would clearly strengthen partnership working with this sector.</p> <p>Additionally as well as commercialisation all the services in scope have strategic elements focused on offering and exploring collaboration opportunities with other public sector bodies including adjacent local authorities..</p>
	<p>Will this Policy/Strategy/Project have a <b>differential impact</b> on any of the following:</p>					<p><i>Please give details/consequences of the differential impact (positive and negative), and what action(s) can you take to address any negative implications?</i></p>
	<ul style="list-style-type: none"> <li><b>Age</b> (including children and young people aged 0-25 and older people over 65 in line with the United Nations Conventions)</li> </ul>	✓				<p>The focus on work experience placements for schools, and on increasing apprenticeship opportunities will have a positive impact in this area.</p>
	<ul style="list-style-type: none"> <li><b>Disability</b></li> </ul>	✓				<p>The focus on expanding engagement and use of voluntary, community &amp; friends groups will have a positive impact in this area.</p> <p>Additionally design functions would continue to have a remit to meet the needs of various disability groups in scheme design.</p> <p>The services delivered on the outdoor environment will also help to ensure that these areas are accessible and usable by all groups within society.</p>
	<ul style="list-style-type: none"> <li><b>Gender Reassignment</b></li> </ul>			✓		<p>Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.</p>

Has the Strategy/Policy/Activity considered how it will impact one or more of Cardiff's 7 Citizen focused Outcomes?	Please Tick				Evidence or suggestion for improvement/mitigation									
	+	-	Ntrl	Un-Crtn										
• <b>Marriage &amp; Civil Partnership</b>			✓		Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.									
• <b>Pregnancy &amp; Maternity</b>			✓		Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.									
• <b>Race</b>	✓				The focus on expanding engagement and use of voluntary, community & friends groups will have a positive impact in this area.									
• <b>Religion/Belief</b>	✓				The focus on expanding engagement and use of voluntary, community & friends groups will have a positive impact in this area.									
• <b>Sex</b>			✓		Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.									
• <b>Sexual Orientation</b>			✓		Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.									
• <b>Welsh Language</b>			✓		Council policies as well as other relevant legislation on equality related matters will continue to be adhered to.									
<table border="1"> <thead> <tr> <th></th> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>Is a Full <a href="#">Equality Impact Assessment</a> Required?</td> <td></td> <td>✓</td> </tr> <tr> <td>Is a Full <a href="#">Child Rights Impact Assessment</a> Required</td> <td></td> <td>✓</td> </tr> </tbody> </table>							Yes	No	Is a Full <a href="#">Equality Impact Assessment</a> Required?		✓	Is a Full <a href="#">Child Rights Impact Assessment</a> Required		✓
	Yes	No												
Is a Full <a href="#">Equality Impact Assessment</a> Required?		✓												
Is a Full <a href="#">Child Rights Impact Assessment</a> Required		✓												

**SUMMARY OF APPRAISAL (highlight positive and negative effects of the policy / plan / project being assessed, demonstrating how it contributes to the economic, social and environmental sustainability of the city):**

This appraisal shows that it is envisaged that the project will almost wholly have positive impacts to the economic, social and environmental sustainability of the city. The overarching strategies for the services in scope show that there are specific focuses on economic and social sustainability with drives to:

- Grow services and therefore increasing job opportunities as well as training and development of the existing workforce
- Improved and further engagement with voluntary, community and friends groups to increase social interactions between the services in scope and the various demographic groups of the city
- Increasing the number of apprenticeship, work experience, and graduate opportunities which will both contribute to the economic and social sustainability of the city

**WHAT ACTIONS HAVE BEEN IDENTIFIED OR CHANGES BEEN MADE TO THE POLICY / PLAN / PROJECT AS A RESULT OF THIS APPRAISAL:**

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The appraisal has been informed by the service strategies and 'overarching' strategy for the services in scope of the Infrastructure Services Alternative Delivery Model project.

## Part 2: Strategic Environmental Assessment Screening

		Yes	No
2.1	Does the plan or programme set the framework for future development consent?		✓
2.2	Is the plan or programme likely to have significant, positive or negative, environmental effects?		✓

Is a Full Strategic Environmental Assessment Screening Needed?	Yes	No
<ul style="list-style-type: none"> <li>▪ If yes has been ticked to both questions 2.1 and 2.2 then the answer is yes</li> <li>▪ If a full SEA Screening is required then please contact the Sustainable Development Unit to arrange (details below)</li> </ul>		✓

If you have any doubt on your answers to the above questions regarding SEA then please consult with the Sustainable Development Unit on 2087 3228  
[sustainabledevelopment@cardiff.gov.uk](mailto:sustainabledevelopment@cardiff.gov.uk)

## Part 3: Habitat Regulation Assessment (HRA)

		Yes	No	Unsure
3.1	Will the plan, project or programme results in an activity which is known to affect a European site, such as the Severn Estuary or the Cardiff Beech Woods?		✓	
3.2	Will the plan, project or programme which steers development towards an area that includes a European site, such as the Severn Estuary or the Cardiff Beech Woods or may indirectly affect a European site?		✓	
3.3	Is a full HRA needed?		✓	

Details of the strategy will be sent to the County Ecologist on completion of the process to determine if a Habitat Regulation Assessment is needed. For further information please phone 2087 3215 or email [biodiversity@cardiff.gov.uk](mailto:biodiversity@cardiff.gov.uk)

## Appendix 1 – Statutory Requirements

It is possible that the Impact Screening Tool will identify the need to undertake specific statutory assessments:

- **Equality Impact Assessment:** *This assessment is required by the Equality Act 2010 and Welsh Government’s Equality Regulations 2011.*
- **Sustainable Development Bill:** *The Bill, when it comes into effect, will require sustainable development (SD) to be a central organising principle for the organisation. This means that there is a duty to consider SD in the strategic decision making processes.*
- **Shared Purpose Shared Delivery-** *The Welsh Government requires local authorities to produce a single integrated plan to meet statutory requirements under a range of legislation. Cardiff Council must therefore demonstrate its contribution towards Cardiff’s own integrated plan; “What Matters”.*
- **United Nations Convention on the Rights of the Child:** *The Children Act 2004 guidance for Wales requires local authorities and their partners to have regard to the United Nations Convention on the Rights of a Child.*
- **United Nations Principles for Older Persons:** *The principles require a consideration of independence, participation, care, self-fulfillment and dignity.*
- **The Welsh Language Measure 2011:** *The measure sets out official status for the Welsh language, a Welsh language Commissioner, and the freedom to speak Welsh.*
- **Health Impact Assessment:** *(HIA) considers policies, programmes or projects for their potential effects on the health of a population*
- **Strategic Environmental Impact Assessment:** *A Strategic Environmental Assessment (SEA) is an European Directive for plans, programmes and policies with land use implications and significant environmental effects.*
- **Habitats Regulations Assessment:** *The Conservation (Natural Habitats, &c.) (Amendment) Regulations 2007 provides a requirement to undertake Habitats Regulations Assessment (HRA) of land use plans.*