

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 6th 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.

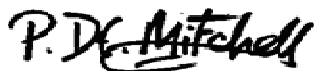
Future Scrutiny - As previously stated in this letter the Committee is looking to scrutinise the key elements of the Modified In House approach after it is adopted by Cabinet. In particular they look forward to:

- 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