
**INFRASTRUCTURE SERVICES – FULL BUSINESS CASE STRATEGY
BRIEFING**

Reason for the Report

1. To provide Members of the Environmental Scrutiny Committee with the opportunity to scrutinise the 'Infrastructure Services – Full Business Case Strategy'. This item is in advance of the joint scrutiny with the Policy Review & Performance Scrutiny Committee of the actual 'Infrastructure Services – Full Business Case' on 12 May 2016. This scrutiny will focus on:
 - The project objectives;
 - The services in scope;
 - The Overview Strategy applied to the development of the Full Business Case;
 - The Service Area Strategy applied to the development of the Full Business Case;
 - The work streams which have been created to support the development of the Full Business Case.

Background

2. The Infrastructure Services project has the objectives of identifying and implementing the most appropriate future service delivery model to reduce operating costs; improving performance; improving customer satisfaction; reducing failure demand and developing a range of income opportunities. In doing this the project will aim to ensure that there is appropriate engagement with key stakeholders at all times, for example, with Elected Members, Trade Unions and Staff.
3. To date the development of the Infrastructure Services project has taken approximately two years. The project is designed to run through a 'Gateway Process' which contains five stages, these are:

- Stage 1 – Set Strategy & Options Appraisal;
 - Stage 2 – Outline Business Case (OBC);
 - Stage 3 – Full Business Case (FBC);
 - Stage 4 – Transition Phase;
 - Stage 5 – Start Up.
4. The Infrastructure Service project is currently at ‘Stage 3 – Full Business Case (FBC)’ in the ‘Gateway Process’. This meeting is designed to provide background information on the strategies to be applied in the development of the ‘Full Business Case’; in particular it will focus on the Overview Strategy and Service Area Strategy.
5. There has been detailed scrutiny of ‘Stage 1 – Set Strategy & Options Appraisal’ and ‘Stage 2 – Outline Business Case (OBC)’ of the Infrastructure Services project, examples include:
- The Environmental and Policy Review & Performance Scrutiny Committees jointly ran a task & finish exercise titled ‘Infrastructure Business Model & Alternative Delivery Options’. This was approved by the Environmental Scrutiny Committee on 9 June 2015 and by the Policy Review & Performance Scrutiny Committee on the 7 July 2015. A copy of the recommendations and the Cabinet response are attached to this report as **Appendix 1**.
 - The Environmental and Policy Review & Performance Scrutiny Committees’ held a joint meeting on 9 July 2015 to scrutinise an item titled ‘Infrastructure Services & Alternative Delivery Model Proposals’. This focused on ‘Stage 2 – Outline Business Case (OBC)’ and considered which of the five identified options should be taken forward to ‘Stage 3 – Full Business Case (FBC)’. A copy of the letter written by the Chair following this meeting is attached to this report as **Appendix 2**. The Cabinet response to this letter is attached as **Appendix 3**.
 - A report titled ‘Infrastructure Services – Alternative Delivery Model’ was received by Cabinet at its meeting on the 16 July 2015. This report approved taking forward the Modified In House and Wholly Owned Company options from ‘Stage 2 – Outline Business Case (OBC)’ to ‘Stage 3 – Full Business Case (FBC)’. This

decision effectively eliminated the Public / Public Joint Venture, the Public Private Joint Venture and Outsourcing options from the process. This Cabinet decision was later called in by a Member which resulted in a call in meeting being held on the 26 August 2015; a copy of the cover report for the call in meeting has been attached to this report as **Appendix 4**. The conclusion of the call in meeting was that the decision should not be referred back to Cabinet for reconsideration.

Services in Scope

6. The services listed below are currently within the scope of the project and are being evaluated in 'Stage 3 - Infrastructure Services Full Business Case (FBC)':
 - Central Transport Services;
 - Hard Facilities Management;
 - Soft Facilities Management (Cleaning, Building Management, Porterage & Security Services);
 - Highways Engineering;
 - Highway Operations;
 - Highways Asset Management;
 - Design & Delivery;
 - Pest Control;
 - Parks & Sport;
 - Projects, Design & Development;
 - Waste Collections Commercial;
 - Domestic Waste Collection;
 - Waste Education & Enforcement;
 - Waste Treatment & Disposal;
 - Street Cleansing.

7. A summary of the services included within the 'Infrastructure Services Full Business Case' is included in the document titled 'Infrastructure Services – Draft Strategy Documents for Environmental Scrutiny Committee' which is attached to this report as **Appendix 5**. Information is provided for each of the services in scope and includes a service description; a description of the statutory services provided; a description of the non statutory services provided; a breakdown of functions which includes the

volume of demand; customer and client information; details of the current operating model; staffing details; budget details; operational facilities; comment on future strategy and key enablers.

8. During the process the Infrastructure Services project has emphasised a number of key messages for the delivery of Infrastructure Services in Cardiff, these are:
- That the Council's current operating model isn't affordable or sustainable, i.e. that change is required;
 - That both models being appraised in the Infrastructure Services Full Business Case analysis will be Council owned – i.e. neither of these fall into the category of an outsourcing option;
 - That equal efforts will be put into appraising and analysing both models;
 - That income generation from the services within the scope of the Infrastructure Services Full Business Case project must increase to help offset the costs of service delivery.

Full Business Case Development

9. **Resources** - 'Stage 3 - Infrastructure Services Full Business Case (FBC)' has been predominately undertaken using in-house resources. To ensure that analysis of the 'Stage 3 - Infrastructure Services Full Business Case (FBC)' is robust, some external assistance has been used following Cabinet approval. The main areas where external support has been provided are:
- External challenge, assurance & validation;
 - Commercial support for both models;
 - Legal advice regarding the establishment of a Wholly Owned Company if this was ultimately the recommended way forward.
10. External challenge of the process has been provided by Local Partnerships while commercial support has been provided by a consultancy firm called Peopletoo.

Overview Strategy

11. Details of the Overarching Strategy to be applied when developing the 'Infrastructure Services – Full Business Case' are included within the document titled 'Infrastructure Services – Draft Strategy Documents for Environmental Scrutiny Committee'; a copy of this document is attached as **Appendix 5**. It has the objective of satisfying the strategic objectives approved by Cabinet on 15 July 2015, these are:
 - To reduce operating costs;
 - To improve outcomes to address current performance weaknesses;
 - To improve customer satisfaction, demand management and reduced failure demand, to more effectively address the increasing demand for services;
 - To develop effective partnership and collaborative working, where appropriate;
 - To optimise income generation to support core funded services.
12. It should be noted that the overarching strategy, and the individual service strategies have been prepared on a neutral basis, that is, they have not been explicitly prepared to suit either of the two models being considered. It is intended that the preferred future model will be determined by analysing which of the two models being considered would best deliver the collective strategy and hence achieve the project objectives.
13. This strategy is designed to help the Council to build upon the performance improvements it has made in recent years; these were acknowledged by the Welsh Audit Office in its February 2016 'Corporate Assessment Follow On' report.
14. The 'Infrastructure Services – Draft Overarching Strategy for Future Delivery Model' document contains a key number of sections, these include:
 - Introduction;
 - Strategic Objectives;
 - Ambitions for Achieving Strategic Objectives;
 - Strategies to Achieve Ambitions including the sub-sections of:
 - Collaboration;

- Trading & Commercial Function;
- Organisational Change & Branding;
- Building Capacity: Social Value & Training Academy;
- Other Financial Opportunities;
- Accountability for Service Delivery.

Service Area Strategies

15. The service area strategies are captured in the individual service sections of the document titled 'Infrastructure Services – Draft Strategy Documents for Environmental Scrutiny Committee'; is attached to this report as **Appendix 5**. As stated in paragraph 7 this document has sections on:
- Service description;
 - Description of the statutory services provided;
 - Description of the non statutory services provided;
 - Breakdown of functions which includes the volume of demand;
 - Customer and client information;
 - Details of the current operating model;
 - Staffing details;
 - Budget details;
 - Operational facilities;
 - Future strategy;
 - Key enablers.
16. The service area sections in **Appendix 5** have been prepared by the Operational Managers 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 have also been externally reviewed and challenged by Local Partnerships.

Work Streams

17. Creating an Infrastructure Services Full Business Case is a very long and complicated task which requires detailed analysis of a number of key work streams. To ensure that all of the relevant areas are addressed in detail the project has established a number of key work streams, these include:
- **Due Diligence Work Stream** - The key activities within this work stream include the preparation of a due diligence template; completion of due diligence templates by service managers; completion of a 'Viability Test' which for example would look at:
 - Would the Council be able to delegate the delivery of the identified function of a service to a Wholly Owned Company?
 - Is the primary purpose of the service function to prepare strategies and/or policies for the Council and/or operational service delivery?
 - **Modified In-House Work Stream** – The key activities in this work stream include challenging service area managers regarding In-house saving proposals to achieve 'the best possible'; working with managers to identify new trading opportunities and working with managers to redesign the way that services are delivered.
 - **Service Strategy Work Stream** – The key activities in this work stream involve addressing current issues and opportunities for each service and development of a future strategy to address and build upon the issues identified;
 - **Finance Work Stream** – The key activities in this work stream includes As-is budget analysis; analysis of current and future central and directorate support costs; identifying existing financial commitments; identifying existing and future investment requirements; identifying the additional operating costs arising from the Wholly Owned Company (WOC) model (if established); evaluating financial implications in respect of pensions, taxation, insurance, etc; identifying the working capital and treasury implications for a WOC model (if established) and preparing future budgets/cash flows for both models based on saving proposals submitted.

- **Legal Work Stream** – The key activities for this work stream includes the appraisal of options for legal vehicle should a WOC is established; the appraisal of the options for the Board should a WOC be established; to advise on contractual arrangements should a WOC be established; to advise on whether functions can be transferred to a WOC if established; to advise on trading limitations/freedoms based on income growth opportunities identified and to advise on treatment of assets, state aid, treatment of Directors, etc
- **Human Resources Work Stream** – The key activities for this work stream include the provision of employee establishment information to services in scope; advice on employment matters from a legal and best practice perspective and assisting with Stakeholder Engagement activities.
- **Enterprise Architecture Work Stream** – The key activities for this work stream include appraising existing systems used by Service Delivery Teams; appraising existing Corporate systems; scoping, costing and benefit identification for improvement opportunities for both Modified In-house and WOC models.
- **Commissioning & Procurement Work Stream** – The key activities for this work stream include the review of current in-scope external spend to identify opportunities to deliver improved value; the review of current external spend to identify opportunities for building internal capacity; the review of current procurement policy, rules and procedures in conjunction with Service Teams to identify improvement opportunities in respect of both models; the review impact of a WOC upon existing/ongoing external contract arrangements; appraisal of how a WOC could satisfy the necessary criteria when tendering.
- **Information Technology Work Stream** – The key activities for this work stream include the establishment of ICT assets register for services in scope; to advise on ICT change programmes and their potential impact upon services in scope and to advise on future ICT requirements/costs, etc. for both models.
- **Stakeholder Engagement Work Stream** – The key activities for this work stream include the preparation of a Stakeholder Engagement Strategy and the

preparation and implementation of a Stakeholder Engagement Plan including regular meetings with the Unions, regular updates to employees, and provision of an e-mail address and drop-in boxes for employees to raise any questions with Project Team regarding the project.

- **Assets Work Stream** – The key activities for this work stream include collating asset information and requirements for both Model options.

Way Forward

18. Councillor Bob Derbyshire, Cabinet Member for the Environment has been invited to attend for this item. He will be supported by officers from the City Operations Directorate.

Legal Implications

19. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

20. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if

and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

The Committee is recommended to:

- i. Consider whether they wish to pass on any comments to the Cabinet following scrutiny of the 'Infrastructure Services – Full Business Case Strategy Briefing'.

DAVID MARR
Interim Monitoring Officer
9 March 2016