



County Hall
Cardiff
CF10 4UW
Tel: (029) 2087 2000

Neuadd y Sir
Caerdydd
CF10 4UW
Ffôn: (029) 2087 2000

CORRESPONDENCE FOLLOWING THE COMMITTEE MEETING

Committee JOINT SCRUTINY COMMITTEE

Date and Time of Meeting MONDAY, 6 JUNE 2016, 4.00 PM

Please find below correspondence send by the Committee Chair following the meeting, together with any responses received.

For any further details, please contact scrutinyviewpoints@cardiff.gov.uk

8 **Correspondence Following the Committee Meeting** *(Pages 1 - 12)*

This page is intentionally left blank

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.

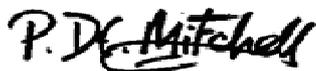
Future Scrutiny - As previously stated in this letter the Committee is looking to scrutinise the key elements of the Modified In House approach after it is adopted by Cabinet. In particular they look forward to:

- 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

This page is intentionally left blank

**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
Tel: (029) 2087 2087

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

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 gennyhych. 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:

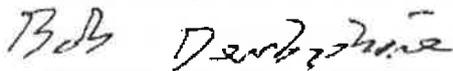
- Implementation of a Fleet Management Information Technology package for the Central Transport Service;
- Implementation of the new enterprise architecture including rostering, scheduling and mobile working technology;
- Completion of a thorough review of the current fleet and building maintenance frameworks;
- 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