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AGENDA

Committee	JOINT SCRUTINY COMMITTEE
Date and Time of Meeting	MONDAY, 6 JUNE 2016, 4.00 PM
Venue	COMMITTEE ROOM 3 - COUNTY HALL
Membership	Councillors Aubrey, Clark, Chris Davis, Derbyshire, Hill-John, Howells, Hunt, Keith Jones, Lomax, Mitchell, Murphy, Sanders, Thomas, Walker, White and Darren Williams

Time approx.

1 Chairperson

To elect a Chairperson for the meeting.

2 Apologies for Absence

To receive apologies for absence.

3 Declarations of Interest

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

4 Pre Decision of the Draft Cabinet report titled 'Infrastructure Services Alternative Delivery Model: Next Steps' (Pages 1 - 198)

4.05 pm

- (a) The Cabinet Member for the Environment and/ or the Cabinet Member for Corporate Services & Performance may wish to make a statement on the proposals contained within the Cabinet paper titled 'Infrastructure Services Alternative Delivery Model: Next Steps'.
- (b) An officer from the City Operations Directorate to deliver a short presentation on the proposals contained within the Cabinet paper titled 'Infrastructure Services Alternative Delivery Model: Next Steps'.
- (c) Members' question & answer session.

5 Trade union and Local Partnerships views on the proposals contained within the Cabinet paper titled 'Infrastructure Services Alternative Delivery Model: Next Steps' 5.05 pm

- (a) A representative from GMB will have the opportunity to comment on the proposals.
- (b) A representative from UCATT will have the opportunity to comment on the proposals.
- (c) A representative from UNITE will have the opportunity to comment on the proposals.
- (d) A representative from UNISON will have the opportunity to comment on the proposals.
- (e) A representative from Local Partnerships will have the opportunity to comment on the proposals.
- (f) Members' question & answer session with the trade union and Local Partnerships representatives.

6 Cabinet Members and Officers Responses Trade Union and Local Partnerships 5.35 pm

- (a) Cabinet Members and officers may wish to comment on / or respond to any statements or questions raised during the trade union and Local Partnerships views section of the meeting.
- (b) Members will have an opportunity to question the Cabinet Members and officers on the comments and / or questions raised by the trade unions and Local Partnerships. In addition to this they will have a final opportunity to question the Cabinet Members and officers on the proposals contained within the Cabinet paper titled 'Infrastructure Services Alternative Delivery Model: Next Steps'.

7 Way Forward 5.55 pm

David Marr

Interim Monitoring Officer

Date: Tuesday, 31 May 2016

Contact: Graham Porter, 029 2087 3401, g.porter@cardiff.gov.uk, ,

CITY & COUNTY OF CARDIFF
DINAS A SIR CAERDYDD

JOINT ENVIRONMENTAL AND POLICY REVIEW & PERFORMANCE
SCRUTINY COMMITTEE

6 MAY 2016

INFRASTRUCTURE SERVICES FULL BUSINESS CASE

Purpose of the Report & Scope of Scrutiny

1. To provide Members of the Environmental Scrutiny Committee and Policy Review & Performance Scrutiny Committee with the opportunity to scrutinise the Infrastructure Services Full Business Case proposals prior to these being presented to Cabinet for approval on the 16 June 2016. In particular the scrutiny should focus on:
 - The outcomes of the Infrastructure Services Full Business Case analysis undertaken on the Wholly Owned Company and Modified In-House alternative delivery models which were shortlisted as a part of the Outline Business Case presented to Cabinet on the 16 July 2015. This decision was later adopted following the call in meeting on the 26 August 2015;
 - The rationale behind the recommendations made in the Infrastructure Services Alternative Delivery Models – Full Business Case;
 - The next steps and other future actions to be taken to deliver the Modified In-House option which is endorsed in the Infrastructure Services Alternative Delivery Models – Full Business Case.

Background

2. The Infrastructure Services 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 for wider catalyst for wider change across the Council. The results of this exercise form the basis of the Infrastructure Services Final Business Case, which is attached to this report as **Appendix 1**.

The Infrastructure Services Alternative Delivery Model project is viewed within the Council as a positive process that has produced some service improvements; for example, the development of the Neighbourhood Services approach and an increase in revenue in areas like the Commercial Waste Service. During this process a variety of service delivery options have been explored; service changes have been evaluated and best practice approaches have been considered from across the United Kingdom.

Infrastructure Services – Objectives

3. From the outset the objectives of the Infrastructure Services Alternative Delivery Model project have been to:
 - Reduce operating costs;
 - Improve outcomes to address current performance weaknesses;
 - Improved 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; and
 - Optimisation of income generation to support core funded services.

Cabinet Decisions

4. On 15 May 2014, Cabinet approved the report of the Chief Executive entitled '*Establishing a Programme of Organisational Change for the City of Cardiff Council*'. This report set out a number of critical challenges facing the Council and the need to move rapidly to new models of service delivery to enable the effective management of demand with significantly reduced resources.
5. One of the priority areas of work concerned alternative delivery arrangements for Infrastructure Services. The Infrastructure Services Alternative Delivery Model project comprises 14 service areas which are listed in **Table 1**. The cumulative gross and net expenditure budgets for these services for the 2016/17 financial period are approximately £72.2m and £26m respectively. The total Full Time Equivalents (FTEs) employed by these services is approximately 1255.

Table 1: Services within Scope of the Project

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

6. On 20 November 2014, Cabinet was provided with an update on the 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. The five service delivery options were Outsourcing; Public / Private Joint Venture; Public / Public Joint Venture; Wholly Owned Arms Length Company and Modified In House. The five listed service delivery options were taken forward to the Outline Business Case (OBC) stage of the process.

7. On 16 July 2015, Cabinet considered an OBC which 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 being reported back to Cabinet in 2016. As explained at the start of this report the decision taken at Cabinet on the 16 July 2015 was called in shortly after the meeting. A joint call in meeting involving the

Environmental and Policy Review & Performance Scrutiny Committees was held on the 26 August 2015 where the original Cabinet decision was upheld.

8. The OBC and FBC parts of the Infrastructure Services Alternative Delivery Model Project have been subject to independent review and challenge by Local Partnerships. They are a specialist company who are regularly involved in the review of similar public sector exercises across the United Kingdom. Local Partnerships is unique in this field as it holds public sector status as a result of being jointly owned by the Local Government Association and HM Treasury.

Previous Scrutiny

9. 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 the 9th June 2015 and by the Policy Review & Performance Scrutiny Committee on the 7th July 2015. A copy of the recommendations and the Cabinet response are attached to this report as **Appendix 2**.
 - The Environmental and Policy Review & Performance Scrutiny Committees' held a joint meeting on the 9th 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 3**. The Cabinet response to this letter is attached as **Appendix 4**.
 - A report titled 'Infrastructure Services – Alternative Delivery Model' was received by Cabinet at its meeting on the 16th 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 26th August 2015; a copy of the cover report for the call in meeting has been attached to this report as **Appendix 5**. The conclusion of the call in meeting was that the decision should not be referred back to Cabinet for reconsideration.

- On 1 December 2015, the Policy Review and Performance 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, scrutiny regarding options regarding types of company and associated governance options that could be adopted in the context of a Wholly Owned Company if established. The letter from the Chair of the Committee dated 8 December 2015 and Cabinet's response of 13 January 2016 are attached to this report as **Appendices 6 & 7** respectively.
- On 15 March 2016, an Environment Scrutiny Committee meeting was held to consider an item titled '*Infrastructure Services – Full Business Case Strategy Briefing*'. Members from the Policy Review & Performance Scrutiny Committee were invited to take a part in the item which included information on the draft future strategies for the services within scope of the project. The letter from the Chair of the Committee dated 11 April 2016 and the Cabinet Member's response of 19 May 2016 are attached to this report as **Appendices 8 & 9** respectively.

Stakeholder Engagement

10. The views of various stakeholders, including unions, staff and Cardiff residents, have informed the evaluation of models. A summary of engagement activity and feedback will be made available for the meeting on the 6 June.

Business Case Methodology and Analysis

11. The template used for the OBC has also been used as the basis for the FBC. This reflects the Office of Government Commerce's (OGC's) "Five Case Model" - the best practice standard recommended by HM Treasury for use by Public Sector Bodies when evaluating public sector proposals.

12. The FBC focuses on the development of five-year service strategies for each service area in scope, as well as an overarching strategy for the services as a whole. Once this is done it considers the impact of the two alternative delivery models against the strategies.

Overarching Service Strategy

13. 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;
 - 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; and
 - To improve accountability for service delivery and customer satisfaction with council services.

Service Clusters and Opportunities

14. A key theme which the Infrastructure Services Alternative Delivery Model evaluation has identified is the inconsistency of current management approaches to the delivery of related or inter-dependent services. It is suggested that the result of this approach is fragmentation with limited evidence of attempts to build synergies between similar services. The new approach being identified by the FBC is to cluster services to capitalise on opportunities for service improvement and income generation. The proposed new clusters are:

- **Recycling Waste Management Services:** This comprises Commercial Waste Collections, Domestic Waste Collections, Recycling Waste Treatment and Disposal. The new cluster reflects the substantial opportunities to grow the Cardiff Commercial Waste Service's business via connections with other treatment and disposal services;
- **Total Facilities Management:** This includes Hard FM (Building Management and Maintenance Services), and Soft FM (Cleaning, Building Support and Security Services) and the Pest Control Service. 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:** This focuses 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 supporting internal service users to improve fleet efficiency;
- **Neighbourhood Services:** This area comprises 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:** This cluster comprises 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:** This cluster comprises 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 exist to present a design services offer, particularly to other local authorities, with Projects Design and Development providing additional in-house expertise in the area of project management and construction.
15. The position facing these services is mixed. 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

16. Collaboration opportunities with neighbouring 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.
17. It is felt that 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

(Appendix 1). 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 five year business case period.

Commercialisation and Trading Function

18. 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. It is felt that 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 five-year period.
19. 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 (insourcing) 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 it is felt that 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;
 - Create 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

20. There are a range of other benefits and opportunities that it is hoped will develop in line with the proposed changes, these include:

- **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.
- **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

21. Full details of the financial analysis undertaken including the assumptions made (where necessary) are provided in the FBC Financial Case section and in particular Appendix 3 of the FBC document. A summary of the financial analyses is provided in this section of the report.
22. To accompany the benefits identified in their service strategies, the services also completed a financial template to capture benefits, (which are in addition to the savings of c£5.2m identified across those services in scope for the 2016/17 budget), this is set out, across the 5-year period from 2016/17 to 2020/21.
23. 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.
24. 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 and shown in the tables below. Costs which are Service Strategy specific have netted-off the relevant benefit. **Table 2** illustrates the 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 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 Owned Company (WOC) delivery model.
25. The aggregate enabling investments and other over-arching costs are also included in **Table 2** and, after deducting these, a net benefit of £4.767m for the model neutral position is projected over the five year period being considered. Further details can be seen in Appendix 3 of the FBC, but over the five year period being considered additional WOC specific benefits of £3.333m have been projected along with

additional costs of £0.787m – this produces a net benefits increase of £2.546m. Included in the additional benefits of £3.333m is projected collaboration income of £2.655m in later years.

Table 2: Summary of Financial Model - Benefit Category by Service Cluster

	BENEFIT CATEGORY				
AREA	Operational	Insource	Collaboration	Trading	Total
	£000s	£000s	£000s	£000s	£000s
MODEL NEUTRAL					
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
WOC					
ADDITIONAL BENEFITS	-371		-2,655	-307	-3,333

ADDITIONAL COSTS					787
WOC ADDITIONAL NET BENEFITS					-2,546

26. **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 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.

27. 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 £4.8m over the 5 year period.

Table 3: 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
BENEFITS	-71	-1,622	-2,323	-1,140	-893	-6,049
COSTS						
One-off "Investment"	562	473				1035
Recurring	85	148	15	0	0	247
COSTS	646	621	15	0	0	1,282
Net 'Model Neutral' Benefits	575	-1,001	-2,308	-1,140	-893	-4,767
WOC						
ADDITIONAL BENEFITS	72	7	-1,155	-1,103	-1,155	-3,333
ADDITIONAL COSTS	413	365	10			787
NET ADDITIONAL WOC BENEFITS	485	372	-1,145	-1,103	-1,155	-2,546

28. The costs and benefits which are specific to a Teckal based WOC model, and are 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 £2.546m over the five year period.
29. 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 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.
- **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.

30. The funding for the investment costs in 2016/17 includes the ICT purchase and implementation for a fleet management system with a reserve value of £150K within the existing budget. 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 or earn principles. Where returns on investment exceed outlay, they would be subject to business cases for prompt decisions; this would need to include people resourcing costs.
31. The investment of external expertise to transfer commercial understanding and knowledge to the Council has been recognised since the OBC was agreed and provided to inform the FBC. During 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 revenue support.
32. Appendix 3 of the FBC 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;

- The additional benefits projected for a Teckal based WOC model but with these being heavily reliant on Collaboration and phased towards the back-end of the 5 year analysis period.

33. The financial model 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.

Implementation Resources

34. The implementation of the proposals made in the FBC 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. It is felt that 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.
35. In delivering the proposals in the FBC 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

36. It is felt that 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.

37. The financial assessment in the FBC report indicates that a Wholly Owned Company (WOC) could provide the Council with greater benefits over the full five-year period; although those additional benefits are mainly achievable in years 3 to 5. The report also states that the delivery of savings and additional income for 2016/17 and 2017/18 have to remain a key priority.
38. In addition to this there is a belief that the establishment of a company governance structure, financial, ICT and operating arrangements will bear heavily on resources in that critical two year period; this in turn would put at risk the delivery of the frontline changes needed to secure other immediate savings. The report adds that the proposals outlined in service improvement strategies need to be actioned with the key enablers identified and facilitated corporately to avoid delays.
39. The FBC report suggests 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.
40. The FBC report states that the debate between in-house and WOC is less significant than the implementation of a single 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 ability to trade and collaborate, flexibility, and the building of capacity and commercial skills.

41. The FBC explains that the modified in house approach will involve realigning in-scope infrastructure services as a matter of priority into two complementary programmes, these are:

1) 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 FM (Building Maintenance), Soft FM (Cleaning, Security and Building Management) and Pest Control;
- **Project Design & Development**

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.

2) Transforming Neighbourhood Services

It is felt that the early successes achieved through the new Neighbourhood Services approach demonstrates that this approach should be continued and developed to the next level. This the FBC argues is to strengthen the ongoing operational changes and 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 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 outcomes in areas like street cleanliness, pot hole repairs and delivering savings outlined in the 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.

It is proposed that the further transformation of Neighbourhood Services should continue to be led by the City Operations directorate, building on the service changes that have already taken place in 2015/16.

A One Council Approach

42. At the heart of this approach would be intensive, high impact service improvement interventions overseen by a proposed Commercialisation & Accelerated Improvement Board (C&AI Board) comprising relevant Directors, as appropriate with external representatives, with a mandate to drive commercialisation and productivity across the Council as a whole. The Chair of the C&AI Board would report to relevant Cabinet Members and to Cabinet, as appropriate. The workstreams of the

Board would be integral components of the Council's wider Organisational Development arrangements. Officers would report to the Board and be responsible for the implementation of the relevant service improvement plans. A commercial brand, business development and marketing plans will be established and applied to services being transformed through the process to provide an identity for both internal and external trading.

43. Focused improvement and change management initiatives defined by clear performance targets, with closely monitored outcomes, would be undertaken. It is proposed that an independent review of performance would also be undertaken during 2017/18. In addition, workstreams would be agreed to embed commercial practices across the defined services, to embed commercial practices and management across a range of services where the case for change is demonstrable. A high level of staff engagement would need to underpin this approach.
44. The Board will also ensure appropriate oversight and support is given at a strategic level to all commercial projects in the Council, for example; the development of the Alarm Response Centre (ARC) project, commercial catering and bereavement services.

Key Enablers

45. The FBC identified the 'key enablers' required for the successful implementation. A number of these cut across the organisation and need to be progressed promptly to deliver improved financial and service delivery outcomes. These include:
 - Implementation of a Fleet Management Information Technology (FMIT) 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.

Timeline

46. A more detailed implementation plan is attached to the FBC for each of the two change programmes. Service Improvement Plans will be provided to demonstrate the detailed change programme, outcomes and performance measures. The year 1 head line 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 st 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

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

Risk Management

48. 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.

Future Communications Strategy and Plan

49. The FBC confirms 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.

Local Member Consultation

50. Members were invited to briefings regarding the Full Business Case and the proposals identified in this report in the lead up to Cabinet considering this report.

Way Forward

51. The Cabinet Members for Corporate Services & Performance and the Environment have been invited to take part in the meeting. At the meeting Members will have the opportunity to question the Cabinet Members and supporting officers on the

proposals. Members will also have the opportunity to consider the views of the trade unions and ask them any questions which they feel are appropriate.

Legal Implications

52. 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

53. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i. Note the contents of the attached reports;

- ii. Consider whether it wishes to make any comments to the Cabinet to take into consideration when it receives the report titled 'Infrastructure Services Alternative Delivery Model: Next Steps'.

David Marr

Interim Monitoring Officer

31 May 2016

- **Appendix 1** – Infrastructure Services Alternative Delivery Models – Full Business Case.
- **Appendix 2** – Recommendations and Cabinet response to the joint scrutiny task & finish report titled 'Infrastructure Business Model & Alternative Delivery Models'.
- **Appendix 3** – Letter written by the Chair following the joint scrutiny meeting held on the 9 July 2015.
- **Appendix 4** – A response from the Cabinet Member for the Environment to the letter written by the Chair following the joint scrutiny meeting held on the 9 July 2015.
- **Appendix 5** – The joint scrutiny cover report to the call in meeting on the Outline Business Case held on the 26 August 2015.
- **Appendix 6** – Letter written by the Chair of the Policy Review & Performance Committee following scrutiny on the 'Alternative Delivery Model – Infrastructure Services – Building a Successful Local Authority Company – Governance Options'. This was held on the 1 December 2015.
- **Appendix 7** – A response by the Cabinet Member for the Environment to the letter written by the Chair of the Policy Review & Performance Committee following scrutiny on the 'Alternative Delivery Model – Infrastructure Services – Building a Successful Local Authority Company – Governance Options'.
- **Appendix 8** – Letter written by the Chair of the Environmental Scrutiny Committee to the Cabinet Member for the Environment following an item titled 'Infrastructure Services – Full Business Case Strategy Briefing' held on the 15 March 2016.

- **Appendix 9** – A response by the Cabinet Member for the Environment following the item titled 'Infrastructure Services – Full Business Case Strategy Briefing' held on the 15 March 2016.

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Infrastructure Services Alternative Delivery Models

Full Business Case



DRAFT

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

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

Benefit Category

Area	Operational (£000s)	Insource (£000s)	Collaboration (£000s)	Trading (£000s)	Total (£000s)
Model Neutral (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
Total Benefits	-2,558	-1,931	-50	-1,510	-6,049
Model Neutral (Costs)					
One-off "Investment"					1,035
Recurring					247
Total Costs					1,282
Net Benefits					-4,767
WOC Additional Benefits	-371		-2,655	-307	-3,333
WOC Additional Costs					787
WOC Additional Net Benefits					-2,546

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
Total Benefits	-71	-1,622	-2,323	-1,140	-893	-6,049
One-off "Investment"	562	473				985
Recurring	85	148	15	0	0	247
Total Costs	646	621	15	0	0	1,282
Net 'Model Neutral' Benefits	575	-1,001	-2,308	-1,140	-893	-4,767
WOC Additional Benefits	72	7	-1,155	-1,103	-1,155	-3,333
WOC Additional Costs	413	365	10			787
Net Additional WOC Benefits	485	372	-1,145	-1,103	-1,155	-2,546

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 his 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 below:

Table 1: Services within Scope of the Project

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

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 15th 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).

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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 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;
- 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.
- 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 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.

2.4.2.5 Build Capacity: Social Value and Workforce Development

2.4.2.5.3 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.

2.4.2.5.4 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.

2.4.2.5.5 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.

2.4.2.5.6 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.

2.4.2.6 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.

2.4.2.7 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
<p>Recycling and Waste Management Services</p>	<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"> • Commercial Waste;

	<ul style="list-style-type: none"> • Strategy function; • Consultancy around domestic collection round modelling; • Boundary integration; • Fleet utilisation; • Increase and secure longer term contracts with neighbouring Councils on recycling processing, transfer and treatment
Neighbourhood Services	<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>
Total Facilities Management	<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), 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>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>
Fleet Services	<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>
Design Consultancy	<p>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</p>

	traded service that can be offered to other authorities.
Highways	<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>

2.4.2.6.1 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.

2.4.2.7 Continue with Employee Initiatives

2.4.2.7.1 **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

2.4.2.7.2 **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.

2.4.2.7.3 **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.

2.4.2.7.4 **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.

2.4.2.9 Accountability for Service Delivery

2.4.2.9.1 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.

2.4.2.9.2 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 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

Benefits Category					
Area	Operational (£000s)	Insource (£000s)	Collaboration (£000s)	Trading (£000s)	Total (£000s)
Model Neutral (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
Model Neutral (Costs)					
One-off "Investment"					1,035
Recurring					247
Costs					1,282
Net Benefits					-4,767
Additional WOC Benefits	-371		-2,655	-307	-3,333
Additional Costs					787
Additional WOC Net Benefits					-2,546
Total Net Benefits					-7,313

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
Benefits	-71	-1,622	-2,323	-1,140	-893	-6,049
One-off "Investment"	562	473				1,035
Recurring	85	148	15	0	0	247
Costs	646	621	15	0	0	1,282
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
Net Additional WOC Benefits	485	372	-1,145	-1,103	-1,155	-2,546
Total Net Benefits	1,060	-630	-3,453	-2,243	-2,048	-7,313

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: -
- a) 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.;
 - b) Set-up costs - £210k: costs of acquiring appropriate commercial expertise to develop commercialisation capacity and culture within the Council, and
 - c) 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 final 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 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 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.

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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 containing 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)
Benefits						
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
S-T : Model Neutral Benefits	-71	-1,622	-2,323	-1,140	-893	-6,049
Costs	646	621	15	0	0	1,232
Net Benefits	575	-1,101	-2,308	-1,140	-893	-4,767

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 to 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 employee’s. 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

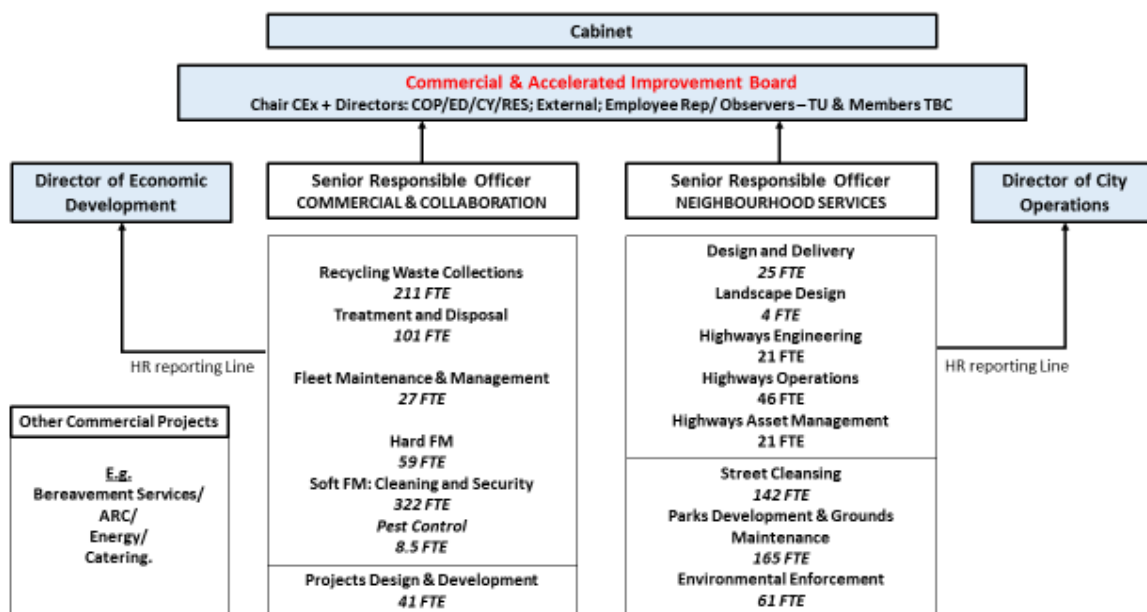
3.4.1 It is envisaged that the Corporate Management costs would not change as a result of the implementation of the Modified In-House proposals, in particular, the commercialisation programme. However, as previously highlighted, a key factor behind the success of the programme would be the imbedding 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 and verbal communications) would be used 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.

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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

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

ADVICE NOTE

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)¹ 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

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

¹ Hardaker v Idle DC [1896] 1 Q.B 335

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

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

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

Service Title	Soft FM (Cleaning, Building Management, Portage & Security Services)
Service Description	<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>Business Support Team 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>Technical on-site maintenance team 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>Technicians (core buildings) which carry out low level maintenance within core buildings e.g. basic plumbing and carpentry</p> <p>Building Management Portage team which oversee room set ups, housekeeping, health and safety checks, reception cover, onsite daily security, parcel logging, and delivery.</p> <p>Facilities Manager/Coordinators which ensure compliance with Statutory Obligations, manage contractors ensuring H&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>Reception team which provide a reception service at County Hall only. Day to day dealing with visitors and staff access requirements.</p> <p>Storekeeper who deals with the day to day procurement and delivery of stock items.</p> <p>Yardman who assists the storekeepers with loading and unloading materials; and general yard duties.</p>				
Statutory Services Provided	<ul style="list-style-type: none"> • Provision of cleaning services satisfies the Council’s ‘Duty of Care’ for Regulation 9 of Workplace (Health, Safety and Welfare) Regulations 1992 • 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 • 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 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> • All functions carried out are non-statutory in nature but are necessary to satisfy legislative responsibilities as detailed above 				
Functions with Volume of Demand	<ul style="list-style-type: none"> • Demand is stated in hours, which totals approx. 549,000. • Cleaning of schools and other council premises: 449,017 hours estimated for current year • Security including static guarding, mobile security, key holding for schools and other council premises: 75,348 hours estimated for current year • Caretaking including static caretaking on non-school sites and relief caretaking for schools: 25,000 hours estimated for current year 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: schools, buildings and various service areas • External: n/a 				
Operational Model	<ul style="list-style-type: none"> • In-house 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> • 322 				
Expenditure/Variance (£000’s)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	3,075	3,058	17	199	-182
2015/16 (Budget)	3,199	3,193	6		
Operational Facilities	<ul style="list-style-type: none"> • County Hall 				
Future Strategy	<ul style="list-style-type: none"> • To Complete zero base budget analysis • 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 providing services to external public and private organisations; • To investigate efficiency opportunities for Soft FM’s management and provision of relief cover for Housekeepers at the 6 Sheltered Housing complexes within Cardiff; • To investigate opportunities for the window cleaning of Council owned buildings which is currently outsourced; • To establish a Handyperson service to provide low level 				

	<p>maintenance work to schools and other public sector or community buildings. A similar service could also be offered to domestic properties;</p> <ul style="list-style-type: none"> • To improve efficiencies in the Manned Guarding security service through the introduction of mobile working etc; • 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 & 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 & partners (RSL, LAs, etc.). • To improve workforce planning by introducing apprenticeships and developing links with the NEETs agenda; • To explore collaboration opportunities with neighbouring authorities.
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Need support from Finance for the completion of a zero-based cost analysis to ensure that service delivery costs are thoroughly understood; • 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; • Need effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies; • Need to access the support provided through HR People Services in respect of the introduction of apprenticeships, development of links with the NEETs agenda; <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No, or late implementation of the new cleaning database within SAP system; • Insufficient Stakeholder Management • Insufficient marketing capacity and support

Service Title	Hard FM
Service Description	Enabling service with responsibility for building repair & maintenance, building improvements and planned preventative maintenance of a statutory nature
Statutory Services Provided	<ul style="list-style-type: none"> • 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
Non-Statutory Services Provided	<ul style="list-style-type: none"> • All functions carried out are non-statutory in nature but are necessary to satisfy legislative responsibilities as detailed above
Functions with Volume of Demand	<ul style="list-style-type: none"> • 104 schools signed into Service Level Agreements • Maintenance of 483 Council buildings and 500 building in total that receive statutory services • During 2013/14 this generated a total of 8,158 jobs (The number of

	<p>jobs does not give an indication of work or demand as each job will differ in complexity and resources)</p> <ul style="list-style-type: none"> • Non domestic property maintenance direct labour unit • Non domestic property maintenance unit – contract management and advisory service • Non domestic property maintenance unit – management and admin function • Statutory maintenance programming and monitoring 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: Council owned buildings inc. Schools • External: None 				
Operational Model	<ul style="list-style-type: none"> • In-house, although the majority of work is carried out by external contractors via framework 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> • 59 FTEs 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	10,292	10,273	-162	20	-182
2015/16 (Budget)	10,456	10,456	0		
Operational Facilities	<ul style="list-style-type: none"> • Coleridge Road Transport Depot • Schools & non-domestic Council buildings 				
Future Strategy	<ul style="list-style-type: none"> • To upskill/multi-skill in-house resources that currently have high levels of downtime; • To review the management and delivery of statutory maintenance functions currently contracted out; • To create temporary posts to provide the Team with greater flexibility to undertake project work/planned schemes; • To undertake a review of the current surveying and contract supervisor function with the objective of strengthening contract and project management; • To align the back-office function with the scheduling technology to improve performance and customer service; • 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; • To improve workforce planning by introducing apprenticeships and developing links with the NEETs agenda; • 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 grounds maintenance; • To explore collaboration opportunities with neighbouring authorities. 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Need support from Finance for the completion of a zero-based cost analysis to ensure that service delivery costs are thoroughly understood; • 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; 				

	<ul style="list-style-type: none"> • Need the effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies; • 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; • 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; • Need the provision of effective and efficient vehicles; • Need to develop and maintain up to date ASSET management systems; • Need greater staff involvement. <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • Not completing the zero based cost analysis; • No or late implementation of scheduling system; • Insufficient Stakeholder Management; • Not addressing issues in respect of both current and future Building Maintenance Frameworks;

Service Title	Pest Control				
Service Description	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.				
Statutory Services Provided	<ul style="list-style-type: none"> • 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 • It is also required to ensure that other owners and occupiers of land comply with similar duties • It also has a duty to investigate and deal with filthy and verminous properties 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Provision of a commercial pest control service • Providing advisory service and sending letters and/or test baiting when there have been reports of rodents in an area • Offering one Council approach for general public health issues e.g. liaising with Food Safety, Waste Management, Housing and Parks 				
Functions with Volume of Demand	<ul style="list-style-type: none"> • In 14/15 there were 2788 requests for service, 6676 visits (including contracts) and 4470 sewers baited 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: Cardiff Schools, Harbour Authority, leisure centres, core buildings, traveller sites, civic amenity sites, Council houses, other Council owned premises including allotments • External: Dwr Cymru (Cardiff sewers), commercial premises, domestic property for residents / landlords of Cardiff 				
Operational Model	<ul style="list-style-type: none"> • In-house model 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> • 9 				
Expenditure/Variance	Gross	Total Income	Net	Net	Variance

(£000's)	Expenditure	(Internal, Grant and External)	Expenditure	Expenditure 2014/15 budget	
2014/15 (Actual)	324	305	19	11	8
2015/16 (Budget)	361	301	60		
Operational Facilities	<ul style="list-style-type: none"> • Brindley Road 				
Future Strategy	<ul style="list-style-type: none"> • To grow the Pest Control service through seeking out new customers for existing services and also offering new services (see point below); • 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; • 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; • 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); • To improve workforce planning through the introduction of apprenticeships and developing links with the NEET's agenda. 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Need to understand the true cost of service provision including current overhead and accommodation costs; • Need to review of fees and charges whilst taking into account market rates and affordability; • Need to explore recruitment of staff (casual / agency basis, permanent or apprentice) and necessary vehicle requirements (via CTS) as required. • Need to implement a mobile working and scheduling system, to increase productivity and geographic reach • Need to re-negotiate existing internal SLA / AC with a view to their being offered over a longer period of time (currently annually). • Need to improve website and promotional/marketing materials; • Need to standardise current operating hours so no difference between Summer and Winter months and then explore scope for some evening and weekend work; • Need the effective engagement of Unions and employees in respect of proposed changes to working methods; • 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. <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives. 				
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No or late implementation of new systems architecture; • Not developing an effective understanding of the current cost base and also proposed pricing strategy; • Insufficient Stakeholder Management; 				

Service Title	Projects, Design and Development
Service Description	Design and project management for the delivery of the buildings capital

	programme and other non-housing construction programmes on behalf of the Council				
Statutory Services Provided	<ul style="list-style-type: none"> None of the services provided are a result of any statutory obligation 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> Design functions offered by the service support the Council's Asset Management Strategy which seeks to preserve and improve the existing building stock 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 				
Functions with Volume of Demand	<ul style="list-style-type: none"> 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 Currently the majority of design and project management work relates to the Schools Organisational Planning Programme which is expected to last to beyond 2020. 				
Customers and Client Information	<ul style="list-style-type: none"> Internal: Education, Communities and Housing, Bereavement, Corporate Office Rationalisation Team External: N/A 				
Operational Model	<ul style="list-style-type: none"> In-house resources and / or external consultants 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 41 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	3,096	3,137	-41	1	-42
2015/16 (Budget)	2,011	2,015	-4		
Operational Facilities	<ul style="list-style-type: none"> County Hall 				
Future Strategy	<ul style="list-style-type: none"> To reduce expenditure on external partners and provide the service in-house To maintain a quality service at a competitive cost To explore opportunities of collaboration with neighbouring authorities To explore detailed synergies with other design teams within the Council 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> Need to review current salary in order to ascertain whether it attracts staff with suitable experience to replace potentially retiring staff and increase headcount. Need to develop a graduate trainee scheme alongside the new PDD internship facility. Need additional hardware and software (licences) for additional staff Need additional accommodation space for additional staff <p>External:</p> <ul style="list-style-type: none"> Collaboration relies upon inter-authority co-operation and strong objectives. 				
Key risks to the achievement of benefits	<ul style="list-style-type: none"> Additional recruitment of qualified staff; Retention of current qualified staff; Insufficient Stakeholder Management. 				

Service Title	Highway Operations				
Service Description	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)				
Statutory Services Provided	<ul style="list-style-type: none"> Reactive highway repairs, street furniture renewals, street lighting, signing, drainage operations, traffic management and barrier repairs for high speed routes Winter and twenty-four hour emergency services 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> 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 				
Functions with Volume of Demand	<ul style="list-style-type: none"> General Highway Maintenance – 12,468 defect repairs were undertaken in 2014/15, with 10,664 repairs being the estimated figure for 2015/16; Street Lighting – 9,014 repairs in 2014/15, with 3,990 being the total repairs completed up until the end of September 2015/16; Drainage – No reliable information available for either year High Speed Route Team – 35 orders raised in 2014/15, with 34 orders being raised to date during 2015/16; Out of Hours Emergency Service – 1,040 estimated calls in both 2014/15 and 2015/16; Winter Service – 360 priority streets treated in both 2014/15 and 2015/16. 				
Customers and Client Information	<ul style="list-style-type: none"> The adopted highway in Cardiff equates to 1400km of footways and 1092km of carriageway creating various levels of demand on the service Internal clients: Highways, Housing, Parks, Harbour Authority, Strategic Estates, Facilities management, Schools, Street Cleansing, Waste Management, Bereavement External clients: PFI (Lloyd George Ave), St David's, SWTRA, Utility Companies, Police, Hospitals 				
Operational Model	<ul style="list-style-type: none"> In-house model for all functions 				
No. of FTEs	<ul style="list-style-type: none"> 46 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
2015/16 (Budget)	6,519	1,200	5,318		
Operational Facilities	<ul style="list-style-type: none"> Brindley Road Coryton Depot 				
Future Strategy	<ul style="list-style-type: none"> 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; 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; 				

	<ul style="list-style-type: none"> • Explore collaboration opportunities with nearby Council’s and other public sector organisations in respect of undertaking highway asset maintenance work; • In the medium term, building upon insourcing successes and consider trading opportunities, for example s38 highways works.
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Addressing current demand and making improvements in effectiveness and efficiency to allow capacity to take forward any additional work; • 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; • Investment in industry standard technology and support from Enterprise Architecture for its implementation; • The provision of an effective FMIT system to provide transparency around vehicle performance and costs; • Improvement to the highways maintenance fleet where required; <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No implementation/late implementation of FMIT system; • No implementation/late implementation of new mobile working systems; • No Authority commitment to ‘one Council’ approach to asset maintenance; • Insufficient Stakeholder Management;

Service Title	Highway Asset Management
Service Description	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 management duty: to secure the expedition, convenient and safe movement of vehicular and other traffic (including pedestrians) on the highway.
Statutory Services Provided	<ul style="list-style-type: none"> • Compilation of Capital programmes for the Highway Operations Service • Developing the Council’s approach to Highway Asset Management • Undertaking highway safety inspections • Investigation of highway insurance claims • Managing and carrying out street works inspections • Managing and administering the highway licensing function • Provision, implementation and maintenance of Intelligent Transport Systems in Cardiff • Maintenance of the traffic systems and structures associated with Butetown Tunnel
Non-Statutory Services Provided	<ul style="list-style-type: none"> • 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
Functions with Volume of Demand	<ul style="list-style-type: none"> • The adopted highway in Cardiff equates to 1,400 km of footways and 1092 km of carriageway

	<ul style="list-style-type: none"> Highway assessment: 3.5k streets assessed annually, ~400 sites investigated following SCRIM, 220km of network assessed for Pl's (same for previous years) 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) Safety inspection & claims management: 11,400 carriageway/footway inspections, 5,000 service requests, 800 claims (no data available for previous years) Area inspection: 2,520 permit requests, 3,600 street works inspections (no data available for previous years) 				
Customers and Client Information	<ul style="list-style-type: none"> Internal: other service areas (e.g. parks, legal, insurance, planning utility companies, trading standards); External: consultants, contractors, citizens of Cardiff, Local Access Forum, landowners, solicitors, developers, claims handlers, utility companies, local builders, local business owners 				
Operational Model	<ul style="list-style-type: none"> In-house model across all functions External contractors for scanner and scrim surveys, planned maintenance and major works 				
No. of FTEs	<ul style="list-style-type: none"> 21 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
2015/16 (Budget)	1,353	982	371		
Operational Facilities	<ul style="list-style-type: none"> County Hall Brindley Road 				
Future Strategy	<ul style="list-style-type: none"> Improve operational efficiencies to increase capacity through improved processes and use/development of new technologies (e.g. AMX) to expand service capability; Manage highway type assets within other services of the Council which are not currently under 'Highways' control; Development of the PROW service, community involvement, promotion of countryside walking facility Introduce annual coring programme for streetwork repairs to ensure better management and control of the adopted highway, improve condition and also potentially increase income; 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; 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 Explore collaborative public / public working with other local authorities and public sector organisations 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> Addressing current demand and making improvements in effectiveness and efficiency to increase capacity to expand service Capability; 				

	<ul style="list-style-type: none"> • 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. • Identifying the true cost of services across the Council • Continued investment in new technology (e.g. AMX) • Upgrading of fleet to suit current requirements. <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No continued investment in new technology (e.g. AMX); • No Authority commitment to ‘one Council’ approach to asset maintenance; • Not upgrading the fleet to suit current requirements. • Insufficient Stakeholder Management;

Service Title	Highways Engineering
Service Description	<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"> • 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 management duty: to secure the expedition, convenient and safe movement of vehicular and other traffic (including pedestrians) on the highway. • 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
Statutory Services Provided	<ul style="list-style-type: none"> • Management, inspection and maintenance of highway structures throughout the city • Management, inspection and maintenance of the Butetown Tunnel • Vetting of abnormal load movements throughout the City • Technical Approval of new designs and assessment of existing structures • Management of the street lighting stock, associated electrical assets and Intelligent Traffic Systems (ITS) throughout the city • Management and scheduling of the cyclic maintenance for the highway drainage asset • 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 • Investigation of flooding issues - design, implementation and management of relief schemes • Drainage and watercourse enforcement • Drainage and water management planning consents
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Design and approval of new installation for developments S278/S38/S106 and capital improvement schemes • Production and management of capital renewal, energy efficiency

	and investment schemes <ul style="list-style-type: none"> • Pumping station maintenance management 				
Functions with Volume of Demand	<ul style="list-style-type: none"> • The adopted highway in Cardiff equates to 1,400 km of footways and 1,092 km of carriageway <ul style="list-style-type: none"> ○ Structures on this network include 382 bridges, 1.6 km of Culverts, 5.1km of retaining wall and 1 km of subways ○ 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 ○ Drainage assets on the network consist of 40,000 gullies, piped drains, watercourses, roadside ditches etc. • The service has vetted 2,500 abnormal load movements consistently over the previous three financial years 				
Customers and Client Information	<p>Internal:</p> <ul style="list-style-type: none"> • Other service areas such as other highway services, parks, harbour authority, housing, ICT, leisure, schools <p>External:</p> <ul style="list-style-type: none"> • 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. 				
Operational Model	<ul style="list-style-type: none"> • In-house model across all 'client' functions • External contractors used for complex repairs and delivery of capital programmes and civil works • External contractor for elements of tunnel and ITS maintenance 				
No. of FTEs	<ul style="list-style-type: none"> • 21 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	2014/15 figures not included as significant restructuring during that period means these figures are not comparable with 2015/16.				
2015/16 (Budget)	5,695	-606	5,089		
Operational Facilities	<ul style="list-style-type: none"> • County Hall • Brindley Road 				
Future Strategy	<ul style="list-style-type: none"> • To improve operational efficiencies to increase capacity through improved processes and use/development of new technologies to expand service capability; • To manage structural, electrical and drainage assets for the authority which are currently not under the Team's control; • 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. • To further amalgamate teams to build knowledge base and improve contingency • To introduce a waste water disposal facility to enhance service efficiency and deliver associated savings • To introduce and expand an 'asset engineering' consultancy service; • To further expand on collaborative public / public working with other local authorities or public sector organisations 				

Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Need to address current demand and make improvements in effectiveness and efficiency to allow capacity to take forward insourcing and any related additional work. • 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; • Need to identify the true cost of services; • Need continued investment in new technology (e.g. AMX); <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No continued investment in new technology (e.g. AMX); • No Authority commitment to ‘one Council’ approach to asset maintenance; • Insufficient Stakeholder Management;

Service Title	Design and Delivery				
Service Description	Delivery of all civil engineering projects on behalf of the Council				
Statutory Services Provided	<ul style="list-style-type: none"> • N/A 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Feasibility / concept design • Detail design • Project management • Contract management • Site supervision • Construction, design and management services 				
Functions with Volume of Demand	<ul style="list-style-type: none"> • In 2013/14, delivered £15M worth of work, which equated to ~45 individual projects • Design • Contract preparation and tender • Delivery • The construction (design & management) regulations 2015 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: transportation, assets and engineering; parks, housing / neighbourhood renewal; harbour authority; environment; education • External: developers / consultants, network rail 				
Operational Model	<ul style="list-style-type: none"> • In-house across all functions with specialist design work consultants used when required 				
No. of FTEs	<ul style="list-style-type: none"> • 25 				
Expenditure/Variance (£000’s)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	1,457	1,426	31	59	-28
2015/16 (Budget)	1,096	1,065	31		
Operational Facilities	<ul style="list-style-type: none"> • County Hall 				
Future Strategy	<ul style="list-style-type: none"> • Provide a single design and delivery service for the Council by merging the Design and Delivery Team with PDD and Landscape 				

	<p>Design. Further integration with Building Control will be investigated;</p> <ul style="list-style-type: none"> • Current demand needs to be assessed and improvements to effectiveness and efficiency made to allow capacity to take forward future additional work. • Explore collaborative working with other local authorities and other public sector organisations e.g. hospitals, emergency services. • In the medium term: building upon insourcing, and consider trading opportunities
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> • Council commitment to the establishment of a single integrated Design Team; • Council direction that all infrastructure type projects are delivered by the Design and Delivery/Integrated Design Team; • Review of recruitment package in order to ensure it is attractive to recruit and increase capacity; • Additional hardware and software (licences) for additional staff • Additional accommodation space for additional staff; • Develop a graduate training scheme. <p>External:</p> <ul style="list-style-type: none"> • Collaboration relies upon inter-authority co-operation and strong objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • Not increasing internal capacity; • No official direction that all infrastructure type projects are delivered by the Design and Delivery/Integrated Design Team; • Insufficient Stakeholder Management;

Service Title	Waste Collections Commercial				
Service Description	Provision of commercial waste collections for the businesses of Cardiff				
Statutory Services Provided	<ul style="list-style-type: none"> • Collection of Recyclable Waste and fulfilment of recycling targets set by Welsh Government • The Council must provide a Commercial collection service if requested, this can be carried out in-house or by a partner 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Servicing businesses outside the Cardiff area 				
Functions with Volume of Demand	<ul style="list-style-type: none"> • 93,600 commercial collections per annum • 15,600 bulky collections per annum • Commercial Officers (securing commercial waste contracts, managing customer accounts and seeking opportunities to secure additional income): 3,900 contracts in 2014/15 • Administration (finance and resourcing functions) • Commercial Collections (vehicles, technology and operatives collecting general waste recycling and food waste from 3,900 sites across the city) 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: All relevant Council services • External: 3,900 customers 				
Operational Model	<ul style="list-style-type: none"> • In-house across all functions 				
No. of FTEs	<ul style="list-style-type: none"> • 32 				
Expenditure/Variance	Gross	Total Income	Net	Net	Variance

(£000's)	Expenditure	(Internal, Grant and External)	Expenditure	Expenditure 2014/15 budget	
2014/15 (Actual)	1,452	-3,395	-1,943	-1,918	-25
2015/16 (Budget)	1,546	-4,177	-2,631		
Operational Facilities	<ul style="list-style-type: none"> Lamby Way 				
Future Strategy	<ul style="list-style-type: none"> 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; To explore and enter into new markets including Front End Loading/Rear End loading commercial waste collection methods; 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 To improve collection efficiency by utilising spare capacity within the domestic collection service, where it exists To introduce apprenticeship opportunities for all areas and identify links with the NEETS agenda and improved workforce planning; 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; To explore collaboration opportunities with neighbouring authorities 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> Need the effective engagement of both Unions and Staff in respect of improving operational efficiencies to increase capacity/reduce costs; Need investment in industry standard technology and need support from Enterprise Architecture for its implementation; Need an effective FMIT system to provide transparency around vehicle performance; Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda; Need to undertake market research and relevant business development including pricing strategy for new markets and services; Need to invest in additional resources (vehicles and employees) at appropriate times to facilitate commercial growth; Need additional training of crews in respect of waste contamination and customer service; Need dialogue with other service teams to develop holistic service contracts with customers where opportunities exist. <p>External:</p> <ul style="list-style-type: none"> Collaboration will depend upon inter-authority co-operation and strong shared objectives. 				
Key Risks to Achievement of Benefits	<ul style="list-style-type: none"> No or late implementation of FMIT system No or late implementation of new systems architecture; No or insufficient investment in additional resources at the appropriate times to secure commercial growth Insufficient Stakeholder Management; 				

Service Title	Domestic Waste Collection				
Service Description	Provision of domestic recycling and waste collections for the citizens of Cardiff				
Statutory Services Provided	<ul style="list-style-type: none"> 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 Collection of recyclable waste and fulfilment of recycling targets set by Welsh Government 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> Bulky waste collection Hygiene waste collection Assisted lifts 				
Functions with Volume of Demand	<ul style="list-style-type: none"> 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 Projects: support function related to domestic waste collections H&S and Stores and Support Services: 153,351 domestic properties supported C2C CRM requests: 16,471 bags and 12,346 bins 				
Customers and Client Information	<ul style="list-style-type: none"> Internal: n/a External: residents across Cardiff 				
Operational Model	<ul style="list-style-type: none"> In-house across all functions though some external resources used for H&S and Stores and Support Services 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 179 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	11,400	3,988	7,412	6,309	1,103
2015/16 (Budget)	11,070	4,587	6,484		
Operational Facilities	<ul style="list-style-type: none"> Lamby Way Depot 				
Future Strategy	<ul style="list-style-type: none"> 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 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; To assist the Council's Commercial Waste Collections Service by collecting commercial waste where capacity exists; To improve workforce planning by introducing apprenticeship opportunities and identifying links with the NEETS agenda; To seek additional funding to for the collection of additional waste associated with demographic growth; To explore collaboration opportunities with neighbouring authorities. 				
Key Enablers	Internal: <ul style="list-style-type: none"> Need Cabinet's approval of the Municipal Waste Strategy when it 				

	<p>has been updated;</p> <ul style="list-style-type: none"> • 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 • Need the effective engagement of both Unions and Staff in respect of improving operational efficiencies to increase capacity/reduce costs; • Need investment in industry standard technology and need support from Enterprise Architecture for its implementation; • Need an effective FMIT system to provide transparency around vehicle performance; • Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda; • Need growth bids to be accepted as part of the annual budget setting process in respect of demographic growth; <p>External:</p> <ul style="list-style-type: none"> • Collaboration will depend upon inter-authority co-operation and strong shared objectives.
Key Risks to Achievement of Benefits	<ul style="list-style-type: none"> • No or late implementation of FMIT system • No or late implementation of new systems architecture; • Insufficient Stakeholder Management;

Service Title	Waste Treatment and Disposal
Service Description	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
Statutory Services Provided	<ul style="list-style-type: none"> • Provision of a HWRC (each Council must provide a minimum of 1) • Management of the waste facilities and depots to comply with Health & Safety and Waste Management legislation & regulation • Provision of a means to recycle, treat and dispose of all controlled municipal waste collected as the Waste Disposal Authority • Collections and transportation of waste and recycling skips from the MRF, WTS's, HWRC's and internal and external SLAs • Long term management and monitoring of Ferry Road and Lamby Way landfill sites
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Provision of more than 1 HWRC • Provision of Waste Transfer Stations, including on one commercial site • Provision of a Materials Recycling Facility • Contracts management • Depot management
Functions with Volume of Demand	<ul style="list-style-type: none"> • 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. • Materials Recycling Facility (MRF) – c.51,000 tonnes per annum • Waste Transfer Stations (WTS) – c.120,000 tonnes per annum

	<ul style="list-style-type: none"> Household Waste Recycling Centres (HWRC) – c.35,000 tonnes per annum 				
Customers and Client Information	<ul style="list-style-type: none"> Internal clients: waste management, domestic & commercial waste collections, WTS's, HWRC's, street cleansing, skip lifts, MRF, other Council departments; External clients: private sector organisations, commercial, other Local Authorities, citizens of Cardiff. 				
Operational Model	<ul style="list-style-type: none"> In-house across all functions 				
No. of FTEs (01/04/15)	<ul style="list-style-type: none"> 101 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	7,724	4,597	3,126	2,023	1,103
2015/16 (Budget)	7,339	4,187	3,153		
Operational Facilities	<ul style="list-style-type: none"> Lamby Way, Rumney Bessemer Close, Leckwith Wedal Road, Cathays Locations within Cardiff and the Vale of Glamorgan through the SLAs Ferry Road, Grangetown Millicent Street, City Centre 				
Future Strategy	<ul style="list-style-type: none"> 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; To explore additional income opportunities for the MRF, and WTS's; To implement an agreed, invest to save scheme to install autosorters in the MRF to increase income from recycled waste; To commence the landfill closure plan and aftercare requirements for the Lamby Way landfill site and determine its future use; To explore collaboration opportunities with neighbouring authorities e.g. utilisation of the WTS and MRF facilities; To improve workforce planning by introducing apprenticeship opportunities and identifying links with the NEETS agenda. 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> Need the effective engagement of both Unions and employees in respect of improving operational efficiencies to increase capacity/reduce costs; Need to invest in industry standard technology and need support from enterprise architecture for its implementation; Need an effective FMIT system to provide transparency around vehicle performance; Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda Need appropriate growth bids to be included and accepted in the annual budget setting process in respect of demographic growth; Need acceptance of the invest to save bid (when submitted) in respect of the auto-sorters for the MRF. <p>External:</p> <ul style="list-style-type: none"> Collaboration will depend upon inter-authority co-operation and 				

	strong shared objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • No or late implementation of FMIT system; • No or late implementation of new systems architecture; • Non acceptance of the invest to save bid in respect of the MRF auto-sorters; • Insufficient Stakeholder Management; • Global market prices reduce the income received and increase the MRF running costs

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

Service Title	Street Cleansing
Service Description	Provision of cleansing of adopted highway areas across the city (except Lloyd George Avenue and The Hayes) and removal of fly-tipping
Statutory Services Provided	<ul style="list-style-type: none"> • Street cleansing • Bin emptying

	<ul style="list-style-type: none"> Removal of fly-tipping 				
Non-Statutory Services Provided	<ul style="list-style-type: none"> n/a 				
Functions and Volume of Demand	<ul style="list-style-type: none"> Street cleansing of c.1088km of carriageway and c.1900km of footway as well as main shop fronts (49 locations) Emptying c.1700 bins Removal of waste from 3,473 fly-tipping incidents 				
Customers and Client Information	<ul style="list-style-type: none"> Internal: Council services (e.g. Housing, Cardiff Harbour Authority) External: residents across Cardiff, event organisers (organised through the Commercial Waste Service Team) 				
Operational Model	<ul style="list-style-type: none"> In-house across all functions 				
No. of FTEs	<ul style="list-style-type: none"> 142 				
Expenditure/Variance (£000's)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	6,330	717	5,614	5,850	-236
2015/16 (Budget)	5,753	533	5,219		
Operational Facilities	<ul style="list-style-type: none"> Lamby Way Depot Brindley Road Millicent Street 				
Future Strategy	<ul style="list-style-type: none"> 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; 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; To use capacity generated through efficiency measures to commence the insourcing of work, which is currently outsourced, for example, arboriculture management; To improve workforce planning by developing apprenticeship opportunities and links with the NEETs agenda. Also, investigate opportunities for working collaboratively with the Probation Service; To engage with the Business Improvement District (BID) work with the object of improving the streetscene in the business environment; To explore collaboration opportunities with adjacent authorities, particularly in relation to grounds maintenance and niche services such as nursery services and arboriculture surveys; 				
Key Enablers	<p>Internal:</p> <ul style="list-style-type: none"> Need senior management support to ensure the timely completion of the Neighbourhood Services approach; 				

	<ul style="list-style-type: none"> • Need the effective engagement of both Unions and Staff in respect of implementing the required operational changes, particularly those relating to improving operational efficiencies. • Need to invest in industry standard technology and need support from Enterprise Architecture for its implementation; • Need an effective FMIT system to provide transparency around vehicle performance; • Need to access the support provided through HR People Services in respect of the introduction of apprenticeships and developing links with the NEETS agenda; • Need appropriate growth bids to be submitted and accepted as part of the annual budget setting process in respect of demographic growth; • Need support from Strategic Estates and FM for the review of depots and assets; • 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; • Need support from the Council’s Planning Service to ensure businesses take more responsibility for impacts upon an area. <p>External:</p> <ul style="list-style-type: none"> • Need effective engagement with community groups e.g. through Neighbourhood Partnerships. • Need effective engagement with businesses to improve the local streetscene; • 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. • Collaboration will depend upon inter-authority co-operation and strong shared objectives.
Key risks to the achievement of benefits	<ul style="list-style-type: none"> • Inadequate support for the completion of the Neighbourhood Services implementation; • No or late implementation of FMIT system; • No or late implementation of new systems architecture; • Ineffective engagement with Unions and employees regarding the proposed strategy; • Insufficient Stakeholder Management;

Service Title	Parks & Sport
Service Description	Management and development of public open space provision throughout the city; and the provision and the development of outdoor sport.
Statutory Services Provided	<ul style="list-style-type: none"> • Provision of land for allotment gardening • Inferred responsibilities from various legislation • Obligations linked to the provision and management of public open space linked to Planning Policy & Guidance • Fulfilment of covenant and grant conditions
Non-Statutory Services Provided	<ul style="list-style-type: none"> • Grounds maintenance activities i.e. grass cutting, litter clearance • Arboriculture • Sports pitch management • Plant production

Functions with Volume of Demand	<ul style="list-style-type: none"> • 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 • Parks development (provision of strategic, development, planning, design and land/asset management functions): 1,600 hectares managed • Sport & 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 • 7,000 participants for sport pitch and facility provision during a traditional winter week-end fixture programme • Across all functions: cabinet / councillor contact: 734; public contact recorded: 1,892 				
Customers and Client Information	<ul style="list-style-type: none"> • Internal: Schools, Housing and Neighbourhood Renewal, Cardiff Harbour Authority, Facilities Management, Strategic Estates, Highways, Planning • 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 				
Operational Model	<ul style="list-style-type: none"> • Mix: in-house, private sector, voluntary sector • Sports & 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 				
No. of FTEs	<ul style="list-style-type: none"> • 169 				
Expenditure/Variance (£000’s)	Gross Expenditure	Total Income (Internal, Grant and External)	Net Expenditure	Net Expenditure 2014/15 budget	Variance
2014/15 (Actual)	7,806	2,333	5,473	5,472	1
2015/16 (Budget)	7,125	2,013	5,112		
Operational Facilities	<ul style="list-style-type: none"> • Wedal Road Depot • Victoria Park Depot • Pentwyn Depot • Bute Park Nursery • Forest Farm • Queen Alexandra House 				
Future Strategy	<ul style="list-style-type: none"> • 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); • 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; 				

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

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. 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.

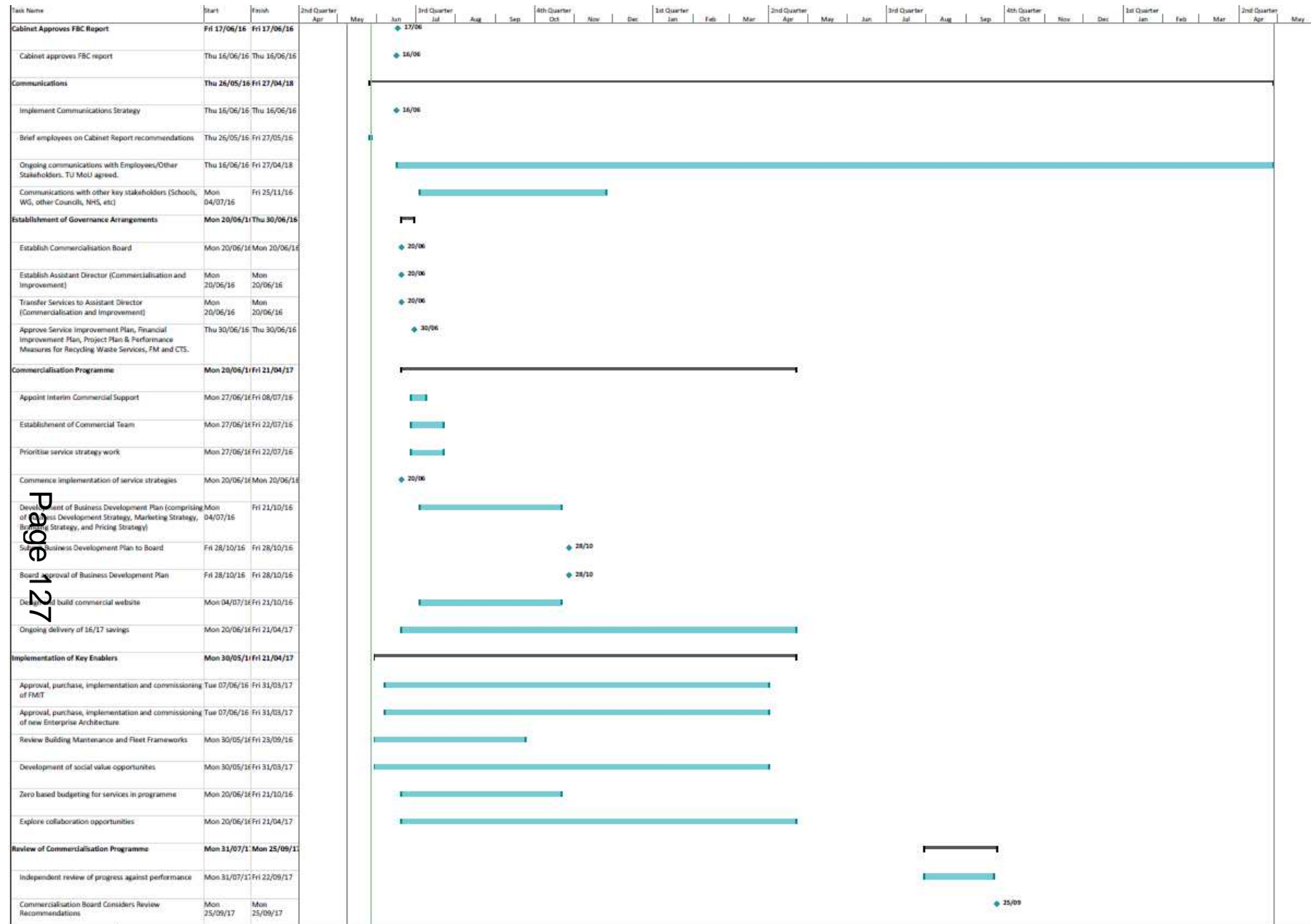
APPENDIX 3 – SUMMARY FINANCIAL MODEL - 5 YEAR PROFILE

	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
Model Neutral Cluster Benefits						
Waste Cluster						
Operational	0	-300	-371	-146	-50	-867
Insourcing						0
Collaboration			-50			-50
Trading	3	34	-331	-217	-178	-689
: Waste Cluster	3	-266	-752	-363	-228	-1,606
Neighbourhood Services Cluster						
Operational	0	-25	-125	-125	-75	-350
Insourcing						0
Collaboration						0
Trading	0	-49	-49	-54	-54	-206
Neigh. Serv. Cluster	0	-74	-174	-179	-129	-556
Total FM Cluster						
Operational	0	-5	-5	-5	-5	-20
Insourcing	0	-447	-446	-52	-55	-1,000
Collaboration						0
Trading	-24	-34	-80	-81	-36	-255
Total FM Cluster	-24	-486	-531	-138	-96	-1,275

Fleet Cluster						
Operational	0	-340	-235	-235	-210	-1,020
Insourcing	-25	-25	-25	-30	-35	-140
Collaboration						0
Trading	0	-75	-85	-85	-85	-330
Fleet Cluster	-25	-440	-345	-350	-330	-1,490
Design Cluster						
Operational						0
Insourcing	0	-5	-110	-100	-100	-315
Collaboration						0
Trading	0	0	-10	-10	-10	-30
Design Cluster	0	-5	-120	-110	-110	-345
Highways Cluster						
Operational	0	-151	-151	0	0	-301
Insourcing	-25	-201	-251	0	0	-476
Collaboration						0
Trading						0
Highways cluster	-25	-351	-401	0	0	-777
Infrastructure ADM						
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
Total Benefits	-71	-1,622	-2,323	-1,140	-893	-6,049
Costs						
One-off costs						
"Capital" Investment costs						
Enterprise Architecture	202	148	0	0	0	350
MRF Autosorter	0	250	0	0	0	250
FMIT	150	0	0	0	0	150
"Capital" Investment costs	352	398	0	0	0	750
Set-up investment costs						
Branding / Marketing	10	25	0	0	0	35
Commercial Expertise	200	50	0	0	0	250
Set-up Investment costs	210	75	0	0	0	285
Total one-off Costs	562	473	0	0	0	1,035
Recurring costs						
Enterprise Architecture	35	73	15	0	0	122
Training	25	75	0	0	0	100

Contingency	25	0	0	0	0	25
Recurring costs	85	148	15	0	0	247
Total Costs	646	621	15	0	0	1,282
Net Benefits	575	-1,001	-2,308	-1,140	-893	-4,767
WOC Specific Benefits						
Operational	0	0	-124	-124	-124	-371
Collaboration	0	0	-885	-885	-885	-2,655
Trading	72	7	-146	-94	-146	-307
WOC Benefits	72	7	-1,155	-1,103	-1,155	-3,333
WOC Costs						
WOC One-off costs	400	60	0	0	0	460
WOC Recurring costs	13	305	10	0	0	327
Total WOC Costs	413	365	10	0	0	787
WOC Net Benefits	485	372	-1,145	-1,103	-1,155	-2,546
Total Net Benefits	1,060	-630	-3,453	-2,243	-2,048	-7,313

Appendix 4: High Level Implementation Programme



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

■ Task ■ Summary External Milestone ◆ Inactive Summary Manual Summary Rollup ■ Finish-only Manual Progress ■ Manual Progress ■ Deadline ◆

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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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
(Key Enabler) 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

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

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

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Response to Environmental and Policy Review and Performance Scrutiny Committee's Task and Finish Group Report Recommendations

Recommendation 1 – Required Speed of Change

The Council needs to save a total of £123 million by the end of the 2017/18 financial year. From this total the Infrastructure Business Model needs to provide an indicative amount of approximately £4.3 million by the end of 2017/18.

The urgency of meeting the required savings cannot be overstated; therefore, Members recommend that quick and decisive action must be taken to ensure that an outcome for the project is achieved by the end of the 2015/16 financial year. By outcome they mean that the preferred model is identified and that the option is put in place to ensure that savings are capable of being delivered from the start of the 2016/17 financial year at the latest.

Delays create cost and uncertainty which are two things that the Council cannot afford in this financially challenging period. The process will require clear objectives, concise management of change and focussed leadership

Response – this recommendation is accepted

The Cabinet recognises the importance of putting in place the necessary arrangements to achieve savings in 2016/17 and beyond at the earliest opportunity. It is believed that the implementation of the preferred alternative delivery model identified for the Infrastructure Services ADM project, that is a Wholly Owned Company subject to the completion of a Full Business Case analysis with the Modified In-house model as the base comparator, will enable this cost saving objective to be achieved. Appropriate details are set out in the Outline Business Case. Relevant factors will be subject to a more detailed analysis as part of the Full Business Case work over the forthcoming months.

Recommendation 2 – Implementation of Systems & Technology

Whatever the alternative delivery option chosen by the Council, the new model has to introduce new technology and systems to improve efficiency and working practice, for example, fleet management systems, mobile scheduling systems and customer management systems.

All of the best performing providers from across the range of alternative delivery models invest in established third party systems and technology as they improve working practice,

improve efficiency and make financial reporting and performance monitoring much quicker and easier. Once the new systems are implemented management needs to ensure that the new technology is properly used.

If the Council decides not to work with a third party partner who has immediate access to the required systems and technology then it needs to allocate funding and a sufficient timescale to implement the new systems and technology; this should factor in procurement timescales and implementation period. If the Council is serious about delivering commercially competitive services then it cannot afford to rely on primitive spreadsheets and slow financial reporting procedures.

Given the urgency and short timescales 'bespoke systems' must be avoided completely as they are expensive and difficult to amend quickly and accurately. They will consume officer time collating errors and reports for the supplier with no guarantee of success.

Response – this recommendation is accepted.

The importance of introducing new technology and systems to improve efficiency and working practice is recognised. Initial cost estimates for appropriate systems have been made and included within the high level financial modelling work undertaken as part of the as part of the Outline Business Case. These are currently being firmed up and delivery of the new systems will commence at the earliest opportunity. It is intended that 'off-the-shelf' systems be used wherever possible and appropriate but it is recognised that work will be required to ensure effective integration with both existing and other new systems

Recommendation 3 – Multi-Skilling & Training

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on the development of multi skilling and training for staff. All of the best performing providers from across the range of alternative delivery models studied made the development of multi skilling and training a central part of their operation and ethos. Effective implementation of multi skilling that is supported by work related training increases efficiency, raises productivity and boosts job satisfaction. In particular the selected model should focus on:

- *Implementing wider multi skilling duties across all services where it can be applied and where appropriate.*
- *Ensuring that an effective training programme is put in place to support multi skilling and personal development. If the Council doesn't decide to work with a third party partner that is able to immediately able to implement*

established training schemes then it should ensure that sufficient financial resources are put in place to introduce best practice industry standard training schemes.

- *The cost of the Council having to implement industry standard training schemes has to be built into the options appraisal for in house modification and wholly owned arms-length company.*
- *When implementing the multi skilling approach the Council should review the practice of 'job & finish' against other industry working arrangements. For example, some of the best performing providers used 'team & finish' and other flexible working approaches to increase efficiency, productivity and reduce costs.*
- *A proportion of the income and savings achieved from multi skilling and improved training should be reinvested back into the service in the form of additional training, new systems & technology and capital resource. This will represent an investment in staff to help ensure continuous improvement and efficiency within the service.*
- *The new service should look to increase the use of apprenticeships and graduate placements whenever possible; appropriate training should be used to support these placements. Apprenticeships and graduate placements are used by all of the best performing alternative delivery option providers to develop the service and ensure long term continuity of skills and service.*
- *The Neighbourhood Services Trial which the Council has recently implemented is in the process of developing multi tasking within an area based working approach. The Council needs to continue with this work right up until the point where the new alternative delivery model is put in place. The efficiencies generated should produce savings in the interim period and ensure that any Council services are in a better position to transfer to the new alternative delivery option.*

Response – this recommendation is partly accepted.

The multi-skilling of staff where appropriate and the implementation of a training plan will be key objectives of the proposed new company as well as reviewing current operating practices and amending these as required. Particular requirements will be identified within the Full Business Case analysis. The preparation of training plans will build upon on the good practice which is already ongoing in some areas of the Council, for example, the Waste Collections Service. In particular, it is intended to introduce apprenticeship training into the various front line teams which will build upon the good work that has been ongoing in Parks for many years. It is also pleasing to note the Task and Finish Group's recognition of the progress made under the Neighbourhood Services pilot. This project commenced in the South-West

neighbourhood area of the city and was recently expanded to cover other wards in the West including Cardiff West and Cardiff City and South Neighbourhood Management areas. It is confirmed that this neighbourhood approach will continue, and be further expanded across the remaining parts of the city, over the forthcoming months ahead of the proposed new company taking on responsibility for day to day management of the initiative.

The distribution of any surplus arising from the operation of the proposed company would have to be agreed with the Council as sole owner.

Recommendation 4 – Income Generation & Commercialisation

Whatever the alternative delivery option chosen by the Council, the new model needs to focus on increased income generation and commercialisation. All of the best performing providers from across the range of alternative delivery models were focused on achieving these objectives. A commonly expressed theme was that the ability to generate external income demonstrated that the service was competitive within the market. It also provided important additional funding to support the service and other functions provided by the Council. In particular Members felt that any new model should:

- *Follow a three step approach to generating income. This means that:*
 - 1) *The new model should start by making the service efficient and competitive;*
 - 2) *Once the service is competitive it should look to insource externally contracted out work;*
 - 3) *After the contracted out work has been brought back in house the service should look to bring in new external business.*
- *The service needs to be realistic in terms of initial income generation expectations. A planned and structured approach should be adopted which would involve the creation of a detailed business plan for each of the services. The business plans should be followed during the year and reviewed at least annually (earlier if necessary). The business plans should include a clearly defined target market for new business; a strategy for approaching prospective customers; income / new business targets and a summary of resources allocated for generating new business.*
- *Once the new service is competitive it should employ a sales person to help generate new business for the Council. The service should also consider employing*

marketing expertise in the short term to help define and establish a trading brand. The sales person should be contracted to work to an agreed annual sales target.

- *If the Council decides not to work with a third party partner that has established income generation and commercialisation experience then it should allocate funding to ensure sufficient expertise is brought into the new service. The cost of the Council introducing income generation and commercialisation experience needs to be built into the options appraisal for in house modification and wholly owned arms-length company.*
- *To successfully generate new business and external income the Council needs to become less risk adverse. This means that Legal, Financial and other Corporate Support Services need to be more creative and flexible in their outlook when evaluating opportunities.*
- *The Council brand and logo should remain a key part of any trading arrangement set up as a result of the Infrastructure Business Model project. Many of the providers stressed during conversation that the Council is a locally trusted brand and that the service needs to be built around this reputation.*
- *The vast majority of income generated by services within the scope of the Infrastructure Business Model is internal. The new model needs to shift focus away from only relying on internal income and ensure all staff from senior managers to frontline staff become more professionally and commercially aware of external income possibilities. All staff essentially will be selling the service at every opportunity.*

Response – this recommendation is accepted.

It is agreed that key objectives for the new model should include the adoption of a more commercial approach and increasing external income. The three stepped approach is also agreed in principle although it should be noted that some services in scope are already competitive and successful in securing external work. For example, it is estimated that the Council's Commercial Waste Collection Service currently delivers c.30% of the Cardiff commercial waste services. It should also be noted that in terms of all of the services in scope, c11% of the 2015/16 c.£72.8m budgeted turnover comprises external income.

The OBC high level financial analysis includes both (i) a prudent approach to income generation, with a delay and a gradual build-up in third party income and (ii) for the Wholly Owned Company provision for the recurring costs of a commercially focused Director and Business Development roles. Building on from the OBC the key next

steps on the project will include the preparation of a Business Plan for the first 3 years of operation with 5 year projections. This will include a realistic external income growth plan which will take into account current/expected future capabilities and also opportunities in the market place with appropriate analysis work being undertaken to assist with the latter mentioned work. Both the governance of the proposed company, and the associated organisational structure, will be designed to ensure that opportunities for commercial growth can be maximised whilst also ensuring that the associated risks are appropriately managed and controlled. It is envisaged that the 'design' will include a 'Commercial Director' (or similar) role to drive through further commercialisation of all services. It is believed that the 'risk adverse' issue referred to by the Task and Finish Group report is determined more by the Council's constitution rather than the approach of individual Services which is a factor that can be addressed through appropriate, yet robust, wholly owned company governance.

The importance of the Cardiff brand and logo is recognised and it is intended that the new company build upon and further enhance this reputation, whilst also taking into account the experiences of other similar organisations, for example, Cormac Contracting Ltd (wholly owned company set up by Cornwall County Council) and Ansa Environmental Services Ltd (wholly owned company set up by Cheshire East County Council). Branding is recognised as a key factor to engendering a new ownership identity for staff and stimulating their innovation and assurance of greater accountability, which the relevant staff would be fully engaged in developing.

Recommendation 5 – Performance Management

Whatever the alternative delivery option chosen by the Council, the new model has to ensure that clear performance management and benchmarking is available for all parts of the service and that this information is readily available at short notice. Strong performance management and individual accountability is a common factor across the best performing providers from the range of alternative delivery options. In particular Members felt that any new model should:

- *Ensure that the contract specifications for each service include clearly defined performance objectives based on the important aspects of service delivery.*
- *Ensure that the services are benchmarked against the best performing companies or organisations within their sector. Developing a competitive service means competing against the best providers within the market and the benchmarking should reflect this fact.*
- *As a minimum services should benchmark themselves against APSE, the main UK core cities and the 22 current Welsh local authorities. The Council should attempt to provide a high quality consistent approach for the benchmarking of services.*
- *Specific quarterly performance reports should be available for all of the services within the new alternative delivery*

model. The reports should be available for review at any established Performance Management Boards, Cabinet, Scrutiny Committees and any other relevant Council group. Whenever problems are identified with the service an action plan should be put into place to resolve the matter.

- *Ensure that the services within the scope of the Infrastructure Business Model all have adequate systems and technology which allow them to quickly and easily provide the required information to populate the performance reports. If the required information isn't quickly available it makes managing the service very difficult. Whenever possible, robust 'off the shelf' systems should be employed.*

Response – this recommendation is accepted.

Robust performance management, which includes appropriate measures, will be a key success factor in the day to day management of the new company. It should be noted that many of the services within scope already undertake benchmarking with APSE, and other Councils within Wales and also the wider UK. The proposed governance arrangements and the Authority's Service Requirements will include regular reporting on key performance issues to the Board and also the Council's Cabinet and relevant Scrutiny Committees. It is intended that appropriate management systems be put in place to facilitate efficient reporting.

Recommendation 6 - Managing Cultural Issues

Whatever the alternative delivery option chosen by the Council, the new model has to address the cultural issues which are present in many of the services within the scope of the Infrastructure Business Model. Sickness rates are exceptionally high when compared against local authority and private sector averages; many of the services state that management and staff relationships are difficult; there is a reluctance within some services to adopt new technology & systems; changes to improved working practices are slow and productivity rates are low in some areas. Collectively these have a large impact on service delivery and the Council's finances. As a consequence they need to be addressed quickly. Members recommend that the following is done to address cultural issues:

- *Sickness – the new alternative delivery model has to reduce sickness levels across most of the services. The best practice providers applied a wide range of techniques and policies to manage this issue, these included:*
 - *A partnership bonus which is partially based on attendance;*

- *Not paying any sick leave for the first two days in the sickness period;*
- *Applying a more relaxed and informal approach to managing sick leave, for example, placing the emphasis on informal conversations and early support to address underlying problems;*
- *Using the Bradford Factor to manage out regular short term sickness absences.*

All of these approaches are different; however, when applied and managed properly they appear to achieve the same result. The recommendation for sickness has to be that the Council either partners with a provider with a successful track record of reducing sickness, or (if an in house modification or wholly owned arms length company is selected) resource is invested to change the current approach to match an established approach which is used by one of the best performing providers. In addition to this the sickness rates of all the services have to be consistently benchmarked against the best performing providers.

- *Members feel that moving to a new structure and approach of working will provide an ideal opportunity to establish a better working relationship between staff and management. This can only be achieved through open and transparent dialogue. All parties need to understand what their responsibilities are and the standards which are expected of them. Proper engagement with staff and trade unions is essential during a period of significant change – it would seem sensible to obtain their opinion on working arrangements and allow them to take greater personal responsibility for achieving specific goals in their working environment. Some providers achieved success in this area by reducing the burden of bureaucracy and encouraging personal responsibility; this in turn seemed to improve staff and management relationships.*
- *Members believe that it is essential for the services within the Infrastructure Business Model to embrace new systems and technology. The best performing providers all use these to improve productivity and efficiency. A failure to keep up with the latest in industry systems and technology will mean the Council's services will fall further behind. The task group, therefore, recommends that the new services adopt the latest in industry technology and systems.*

In achieving this through a partnership / contract or an in house approach it should be made clear to staff why new systems and technology are required and the consequences of failing to change.

- *A consistent theme of this report is that in future Council services need to be able to compete with the best local authorities and private sector providers. This ultimately means that efficiency and productivity have to increase. It is important to stress that Oxford Direct Services acknowledged that they needed to increase productivity in 2011 by 15% to maintain employee salaries and benefits at the same level. They achieved this through multi-skilling; better training; introduction of new systems & technology; incentivisation; good performance management & benchmarking and investment in staff and resources. They were also willing to step outside a national pay agreement to support the process – a decision which they were criticised for at the time. Members, therefore, recommend that productivity has to improve and that staff are made aware of exactly why it needs to improve.*

Response – this recommendation is accepted.

It is recognised that factors that have a negative impact upon service delivery performance, for example, high sickness absence in some Services, do need to be addressed. It is therefore intended that relevant policies be reviewed to ensure that they are 'fit for purpose' and assist in achieving organisational objectives. However, the good work that is currently ongoing to address these issues also needs to be acknowledged. For example, the sickness absence in Street Cleansing in 2014/15 was 20% less than in 2013/14. Modern technology is also being increasingly used to improve service delivery, for example, CCTV camera's are now installed on the Waste Collection vehicles to improve health and safety standards and assist with accident investigation. In 2014/15, route optimisation software assisted in the delivery of £300k savings for waste collections. A further efficiency saving of c£730k was achieved in Street Cleansing. In Highways Operations, on the back of a Director Lead Engagement Programme initiated in 2014/15, there has been an improvement in communications, relations between management and frontline staff, and also performance. The success of the engagement programme, although ongoing, can be seen through improvements in service delivery flexibility and also performance. For example, the completion of Category 2 safety repairs to the highway (within 28 days) increased from 48.69% in July 2014 to 97.26% in March 2015. Plans are also currently being drawn up to introduce further new technology, for example, mobile working technology, in all appropriate operational areas. Clearly, consultation with employees and the Trade Unions regarding this ongoing modification process, and the associated benefits, is and will continue be an important success factor.

Recommendation 7 – Financial

Whatever the alternative delivery option chosen by the Council, the new model has to help ensure that the Council improves its financial control over the services within the scope of the Infrastructure Business Model. The budgetary pressures facing the Council (£123 million of savings in three years) mean that generating savings whilst as far as possible maintaining service delivery is probably the greatest risk facing the project. When looking at the best providers in the market a number of financial characteristics and priorities became apparent, these were:

- *The Council needs to design all of the specifications for the new services using a zero based budget approach. Instead of simply relying on finding savings from historical budgets the services need to be designed from the front line up so that finances are focused completely on service delivery.*
- *The finances of each of the services need to be independent of each other in accounting terms, i.e. they each need a transparent set of accounts which are readily available. This will make it easier to accurately monitor the services, quickly identify financial issues and take action to resolve the problem.*
- *In the services where financial control is (or has been) poor new financial systems need to be put in place. Where there are obvious systems issues it would seem sensible to bring in a third party software solution which is successfully used by the market leading providers, for example, a fleet management software system needs to be implemented for Central Transport Services – this would help the service better manage all transactions and monitor fleet values.*
- *In advance of any transfer the Council needs to obtain a clear understanding of the costs of delivering all of the services within the scope of the Infrastructure Business Model. During the review of the services within scope it the financial picture of each one was not always clear. Understanding the finances of each service before transfer is essential – failure to do this could cost the Council heavily if it enters into a contract or partnership with a third party.*
- *Prior to deciding on an alternative delivery model the Council needs to be clear as to how much of a saving can be made from the selected model. This is very difficult to achieve with certainty as there are too many variables to*

consider, however, industry average benchmarks, information from the scrutiny task & finish exercise and soft market testing events should help provide a reasonable estimate.

- *To help achieve greater confidence for achieving savings the new alternative delivery model (where possible) should include some form of guaranteed savings value.*
- *The Council's current financial position means that the future budget settlements are likely to change. The new model needs to be flexible enough to accommodate any changes, for example, if the budget for a particular part of the service reduces then it is essential that there is scope to alter the service or the way in which it is delivered. A lack of flexibility around budgets and service delivery could cause the Council significant difficulties. Any contract or service level agreement that the Council agrees to has to include a financial flexibility clause.*
- *The new alternative delivery model has to be structured on a service based agreement and not an itemised delivery approach. Itemised delivery contracts tend to be very bureaucratic and expensive to manage.*
- *The task & finish group came across several examples of financial liabilities being transferred to third parties and creating financial savings for the local authority. For example, the Section 58 defence insurance liability for potholes was transferred by Cornwall Council to Cormac – to help achieve this they had to ensure that they were properly set up to manage the risks and avoid claims. Pension liabilities and other statutory target responsibilities can also be transferred to new providers at a cost. Members recommend that if practical and affordable, the Council should look to transfer as many of these financial liabilities into the new model as possible.*

Response – this recommendation is accepted.

Collectively, in 2014/15, the services in scope exceeded their budget by c.0.7% (c£212k overspend on a net budget of £29.9m) although many service areas in scope delivered a significant surplus. This does not therefore indicate that significant budgetary control issue exists. However, the importance of robust financial management, transparency between services and the need to have appropriate profit and loss financial systems is recognised. In accordance with the proposals put forward, it is intended that the necessary zero budget exercises will be completed and that appropriate financial systems are put in place to allow effective financial management. Detailed proposals will be developed during the Full Business Case work.

A high level financial analysis has been undertaken as part of the Outline Business Case work. This indicated that the Wholly Owned company would deliver the most savings to the Council. A more detailed financial analysis will be undertaken as part of the Full Business Case.

The implementation of a Wholly Owned Company will allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. One of the reserved matters which will be set out in Council/Company contract, which will include a service based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to secure changes regarding budget and service delivery.

The potential transfer of financial liabilities, such as those mentioned in the above recommendation, will also be a consideration for the Full Business Case work.

Recommendation 8 – The Main Proposed Model

Having considered the five models proposed for the Infrastructure Business Model the Members believe that given the timescales; financial challenges; cultural changes required; inconsistency in performance management; the new systems and technology which need to be implemented; the working practice changes which have to happen and the scale of commercial change required the only viable option for the majority of services is to transfer them to a public / public joint venture. This option provides the Council with the ability to avoid a long procurement exercise by using the teckal principle to transfer services to another public owned company. It should be noted that this recommendation suggests a general direction of travel for the Infrastructure Business Model as a whole, however, the report will go on to comment on the individual services later in the report. Partnering with one or more Public / Public Joint Venture partners would enable the Council to:

- *Establish a Public / Public Joint Venture Company in advance of the start of the 2016/17 financial year;*
- *Retain a large degree of control over services in the new Public / Public Joint Venture Company;*
- *Quickly access a range of market leading systems and technology to help improve service delivery;*
- *Quickly access much needed commercial expertise to make the services more efficient and help generate new income opportunities;*
- *Trade commercially in the market without the legal trading restrictions placed against local authorities;*
- *Establish and refine new market leading working practices within Cardiff;*
- *Improve training opportunities for staff that transfer across to the new company;*

- *Improve performance management and benchmarking of the services by implementing established practices using industry standard systems and technology;*
- *Address a number of the Council's longstanding cultural issues which affect a large number of services within the scope of the Infrastructure Business Model;*
- *Agree an upper budget limit on the cost of delivering the services in advance of the financial year while receiving 50% of the dividend generated by the company for that year. This agreed approach allows the Council to set budgets with greater certainty;*
- *Ensure that the benefits and salaries of the staff who transfer to the new public / public joint venture are maintained at their current level;*
- *Have the potential to transfer risk including potential losses in the first years of operation, for example, waste fines and section 58 insurance claim liabilities.*

The task group also explored the options of in house modification and wholly owned arms length companies in detail. There were aspects of these services which were appealing, however, successful implementation from the current position would take many years (Oxford City Council has taken seven years to get to where it is today- with the support of local unions who broke national pay agreements) and the Council would need to invest heavily in systems and commercial experience. Procurement timescales for new systems and technology implementation would also slow down the transition and development process.

Overall the Members support the implementation of a Public / Public Joint Venture for the majority of services within the Infrastructure Business Model, however, exactly how each of the services are specifically transferred are dealt with in recommendations 10 to 23 of this report.

In advocating the Public / Public Joint Venture Members were keen to stress that because of the scale of the offer in Cardiff that it would, if possible, be prudent to look to appoint more than one Public / Public Joint Venture partner. In doing this it would be sensible to reflect on the respective strengths of the available providers and work with these for the benefit of the Council.

Response – this recommendation is not accepted

On the basis of the Outline Business Case analysis work completed, it is believed that the most appropriate future delivery model for the services within scope of the project is a Wholly Owned Company (Teckal). The key reasons for identifying this option as the preferred future delivery model include:

- The high level financial analysis undertaken as part of the Outline Business Case work indicates 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 achieve financial benefits early in the 2016/17 period;
- It will allow the Council to maintain control regarding strategic matters whilst providing day to day operational autonomy to the company. As stated above, one of the reserved matters which will be set out in Council/Company contract, which will include a service based Agreement, is the agreement of the annual business plan and budget which will provide the Council with the required flexibility to secure changes regarding budget and service delivery. This is seen to be an important factor by the Cabinet;
- It will facilitate the development of a more commercialised culture and improved quality of service delivery to residents. The progress made over the last year regarding work practice modernisation, multi-skilling and improvement of service delivery, for example, on the Neighbourhood Services project, provides confidence that the required further improvements can be made within this preferred model of delivery;
- It will provide more commercial freedom and an incentive to effectively build upon and grow the external trading work which is currently undertaken. It is recognised that an injection of commercial expertise will be an important catalyst in respect of achieving sustainable income growth. It will ensure that all benefits are retained by the Council;
- It will ensure that all benefits 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 needs of the Council;
- Whilst not perhaps the automatic preferred model of the Trade Unions and staff, it is preferred in relation to the other Joint Venture and Outsourcing options. Also, based on feedback provided from other Council's that have established Wholly Owned Trading Companies, it is believed that most staff will be motivated by the new culture created within the new organisation, and
- It fits with the general principles identified by residents as interpreted from the responses received to the Cardiff Debate survey;

Additionally, the Wholly Owned Company:

- will provide opportunity to look at different ways of working with the new Team to drive the new business forward;
- will retain jobs in the local economy and optimises the young people's employment agenda through apprenticeships ;
- provides the potential to improve the management of risk and other Council financial liabilities;
- fits with the strategic objective of the Council of becoming a commissioning organisation;
- provides future opportunities for co-ownership with other Council's which is important in respect of the Assembly's current local government agenda, and

- 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 further alternative delivery model adopted.

The key next step on this project is the completion of a Full Business Case analysis. Similarly to the Outline Business Case, this will be based on the Office of Government Commerce (OGC) "Five Case Model. However, it will comprise a more detailed consideration of the strategic, economic, commercial, financial and management factors relevant to both the Wholly Owned Company, as the preferred way forward identified by the Outline Business Case, and also the Modified In-house model as the 'base' comparator.

It should be noted that based on the research work undertaken as part of the Outline Business Case analysis, it would not be possible to establish an operational Public/Public Joint Venture any quicker than a Wholly Owned Trading Company. Although a formal procurement may not be required, it is anticipated that a significant amount of negotiation and due diligence would be required to reach a position with any potential Public JV partner(s) that is commercially and contractually acceptable to both parties. This could take longer than establishing a Wholly Owned Company and relies upon a small market interest, thereby restricting the ability to use competition to drive forward the best negotiated position for the Council.

Recommendation 9 – High Level Structure of the Infrastructure Business Model

Members recommend that the services within the scope of the Infrastructure Business Model can be broken down into three main streams, these are:

- *Waste Services;*
- *Facilities & Neighbourhood Management Services;*
- *Highways Services.*

Each of the three services should be broken into two parts, i.e. client and contractor. The contractor would deliver the majority of the actual work while the client side of the service would contract manage, analyse performance, develop policy and generally manage the relationship between the contractor and Council.

Response – this recommendation is partly accepted

It is agreed that the services in scope should be broken down into appropriate streams and that the Council would need to retain a client function to undertake certain functions (e.g. service delivery performance checks, certify payments, etc). However, the composition of the proposed streams is not agreed. Further comments are provided below under the responses to Recommendations 10 – 23 below but

further work to finalise the streams will be undertaken as part of the Full Business Case analysis.

Recommendation 10 – Client Function

Many of the providers who we met with during the process were advocates of having an effective client function to manage the contract(s) from the Infrastructure Business Model. This approach promotes a good understanding between the client and contractor and helps ensure that the client (in this case the Council) gets exactly what is agreed within the contract or service specification. Members, therefore, recommend that each of the three services (Waste Services, Facilities & Neighbourhood Management Services & Highways Services) have a client team to manage the contract(s) or service specification(s) within their area. These teams should be able to contract manage, analyse performance, develop policy and generally manage relationships between the client and contractor. Members believe that some of the services (or parts of those services) within the scope of the Infrastructure Business Model are well placed to take over the role of the client function.

Response – this recommendation is accepted.

It is agreed that the Council will need to retain a function to manage the contract with the proposed Wholly Owned Company. However, to maximise efficiency and effectiveness, it is believed that this should be a single team rather than a series of separate teams. This is an area which will be developed further as part of the Full Business Case analysis work.

Recommendation 11 - Waste Education & Enforcement

Waste Education & Enforcement should become a part or attached to a client team within Waste Services. The client team should include resources for contract management; to write and develop waste policy and direct education and enforcement actions across the city to support waste policy where appropriate. Therefore, as a part of the client team the Waste Education & Enforcement service would remain in house. The success of the team within the structure should be reviewed on a regular basis and training standardised. The Council should retain the future option of transferring the service to the Public / Public contractor part of Waste Services.

Response – this recommendation is not accepted.

Subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator, it is believed that the Education and Enforcement Team should transfer to the Wholly

Owned Company as it is now largely integrated within the Neighbourhood Services Team and also provides an essential supporting role to not only the customer, but also to the Waste Collections, Parks and Cleansing services, all of which are proposed for transfer into the Wholly Owned Company. The waste strategy function is undertaken by a separate team which is intended to remain as part of the core Council organisation as the strategy and policy making function which was not included within the scope of the infrastructure ADM project.

Recommendation 12 - Waste Collections

Waste Collections should become a part of the contractor team for Waste Services. The contractor team would also include Waste Street Cleansing, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Waste Collections service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 13 - Waste Street Cleansing

Waste Street Cleansing should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Treatment & Disposal and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Street Cleansing service should be transferred as part of the Neighbourhood Services function, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 14 - Waste Treatment & Disposal

Waste Treatment & Disposal should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Central Transport Services. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Waste Treatment and Disposal service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 15 - Highway Asset Management

Highway Asset Management should become a part of the client team within Highways Services. The client team should include resources for contract management and to write and develop highways policy.

As a part of the client team the Highways Asset Management service would remain in house. The success of the team within the structure should be reviewed on a regular basis. The Council should retain the future option of transferring the service to the Public / Public contractor part of Highways Services.

Response – this recommendation is partly accepted

It is believed that to maximise the effectiveness of 's58 defences', the Highways Asset team should transfer to the proposed Wholly Owned Company, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. However, it is currently intended that the Highways Policy function would remain as part of the Council's core organisation as required to set out the Authority's requirements. This will be an area that will be investigated in more detail as part of the Full Business Case analysis work.

Recommendation 16 - Highway Maintenance

Highway Maintenance should become a part of the contractor team for Highways Services. The contractor team would also include Infrastructure Design & Construction Management. As a part of the contractor team it is recommended that the service transfers into a Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Highway Maintenance service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 17 - Pest Control

As the Pest Control service virtually covers its operating costs and because there is real potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Pest Control service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator.

Recommendation 18 - Central Transport Services

Central Transport Services should become a part of the contractor team for Waste Services. The contractor team would also include Waste Collections, Waste Street Cleansing and Waste Treatment & Disposal. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Members felt that Central Transport Services needed to sit within Waste Services as Waste Services is by far their largest customer. Central Transport Services has to continue to supply its existing Council customers with vehicles, therefore, the Council needs to put appropriate contracts and service level agreements in place to ensure continued service and income streams for Central Transport Services whenever possible.

Response – this recommendation is partly accepted

To be aligned with its core service users and drivers, it is believed that the Central Transport Service should be transferred, to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. Its 'location' within the Wholly Owned Company organisation will be considered as part of the Full Business Case analysis.

Recommendation 19 - Soft Facilities Management

As the Soft Facilities Management service makes an operating surplus and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, new systems & technology and buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Soft Facilities Management service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 20 - Parks Services

Parks Services should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service could be transferred into a Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management, Hard Facilities Management, Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

Response – this recommendation is partly accepted

It is believed that the Parks service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. In view of the success of the Neighbourhood Services project, key elements on the Parks service should be closely aligned with the Street Cleansing and Waste Education/Enforcement services. This would be subject to the consideration in the Full Business Case analysis.

Recommendation 21 - Hard Facilities Management

Hard Facilities Management should become a part of the contractor section of Facilities & Neighbourhood Management Services. Members felt that this service should be transferred into the Public / Public Joint Venture. The other services within the contractor section of Facilities & Neighbourhood Management Services would include Soft Facilities Management; Parks Services; Projects, Design & Development and Pest Control. All of these services would not necessarily be delivered from within the same alternative delivery model.

Response – this recommendation is partly accepted

It is believed that the Hard Facilities Management service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 22 - Projects, Design & Development

As Projects, Design & Development operate on a cost neutral basis and because there is potential for the service to generate additional income Members felt that the service could be suited to a Wholly Owned Arms Length Company or a Public / Public Joint Venture. Both of these options would need to fall under the contractor part of Facilities & Neighbourhood Management Services. Should the Council decide to opt for a Wholly Owned Arms Length Company then it has to allocate sufficient resources for the development of the service, for example, buying in commercial expertise.

If the service is transferred into a Wholly Owned Arms Length Company then the Council should retain the future option of transferring the service into the Public / Public contractor part of Facilities & Neighbourhood Management Services.

Response – this recommendation is partly accepted

It is believed that the Project Design and Development service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator. The need to establish further commercial expertise is agreed as noted in previous recommendations.

Recommendation 23 - Infrastructure Design & Construction Management

As Infrastructure Design & Construction Management is capable of generating external income and is aligned with the range of services provided with the work delivered by Highways Services the service should become a part of the contractor team for Highways Services. The contractor team would also include Highways Maintenance. As a part of the contractor team the service would transfer into the Public / Public Joint Venture.

Response – this recommendation is partly accepted

It is believed that the Infrastructure Design and Construction service should be transferred, but to the proposed Wholly Owned Company rather than into a Public/Public Joint Venture, subject to the completion of a Full Business Case analysis for the Wholly Owned Company model compared with the Modified In-house model comparator

Recommendation 24 – Evaluation Matrix

Members were satisfied with the draft evaluation matrix that the Infrastructure Business Model Project Team is proposing to use for evaluation of each of the services within the Infrastructure Business Model. They felt that it captured the main themes which need to be considered when evaluating the suitability of services against a range of alternative delivery options. The task group are, however, keen to stress that an evaluation matrix should be used for guidance and not as the decision making tool. They felt that the overall decision making process is very complex and as such any decision should be based on as wide a range of evidence as possible.

Response – this recommended is accepted

It is confirmed that the output from this evaluation tool has been considered alongside a number of other key criteria. These include the high level financial analysis and other factors impacting upon deliverability and timescale to arrive at the proposed future delivery model for the services within scope of the project.

Recommendation 25 – The Williams Report

The Williams Report is currently reviewing the future of public services in Wales; this includes local authorities. It is anticipated that the Welsh Government will announce a changed structure for the delivery of local authority services in Wales in the near future. The Council needs to be mindful of this when restructuring services on the scale of the Infrastructure Business Model. It would, therefore, be prudent to keep all interested parties updated on any proposed Council service changes, for example, Welsh Government, other neighbouring authorities and any prospective partners. Taking

this approach will make it easier to manage any potential future change.

Response – this recommendation is accepted.

The Welsh Government and neighbouring authorities will be kept informed regarding the intentions and progress of this project. This issue and the flexibility of models to adjust have been some of the other factors taken into account.

Recommendation 26 – Creation of Service Specifications & Division of Duties

When the Council creates specifications for each of the services it should ensure that an adequate division of duties is placed between transferring staff and those designing the new service. For example, Members felt that while it is important to obtain feedback from staff involved in running the service it is also prudent to prevent them having a completely open hand in creating a service that they will ultimately manage. The task group, therefore, recommends that any proposals that they make are robustly challenged to help create an effective division of duties.

Response – this recommendation is accepted.

Appropriate steps will be taken to ensure that there continues to be effective challenge on the project during the final business case and transition stages, including the development of service specifications and the like going forward.

Recommendation 27 – Consultation & Transition Arrangements

The implementation of a new alternative delivery model across such a wide range of services will result in a significant change for the Council and its staff. The uncertainty could have an impact on staff morale which in turn could have an impact on services. This clearly means that the transitional period needs to be properly managed so that staff morale and service standards are maintained. With this in mind the Members recommend that:

- *Full consultation on the proposed model is undertaken with staff, trade unions, elected members, the public and any other relevant parties. This should include detail on the proposed model; an opportunity to ask questions on the proposed model; an opportunity for staff to visit other operations run by the provider if a partnership agreement or contract is entered into with a third party; an opportunity for trade union representatives to meet with their counterparts at operations run by the provider if a partnership agreement or contract is entered into with a third*

party and the opportunity for staff to have input into the new proposed model.

- *The Council creates and then implements a transition plan for all of the services within the Infrastructure Business Model. This should be designed to ensure continuity of service and agreed by all relevant parties in advance of the new model being introduced.*

Response – this recommendation is accepted.

It is intended that the consultations with employees, Trade Unions and Members which commenced at an early stage in the project continue during the Full Business Case stage, through the proposed transition phase and also following commencement of the new operational arrangements. In terms of the consultation work undertaken to date, in particular, it should be noted that affected employees were briefed ahead of Scrutiny's Task and Finish Report being made publically available and also again ahead of Cabinet considering the Outline Business Case prepared. Contact details for Union Representatives working within the various models visited by the Scrutiny Task and Finish Group have been shared with the Trade Unions. These include contact details for Trade Union Representatives working for Ansa Environmental Services Ltd, the Wholly Owned Company set up by Cheshire East Council. The Stakeholder Engagement Plan prepared at the outset of the project has been implemented. In terms of Members, an article was included in the December 2014 newsletter and briefings were provided in the lead up to the Outline Business report being considered by Cabinet. Consultation with the public regarding the project was undertaken as part of the Cardiff Debate consultation process undertaken in December 2014/January 2015 and the results are reported during the Budget setting in February for 2015/16 and in the Infrastructure ADM Outline Business Case and the associated Cabinet report.

A transition plan will be developed as part of the Full Business Case work.

Ref: RDB/NH/BD/09.07.15

13th July 2015

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



Dear Councillor Derbyshire,

Joint meeting of the Policy Review & Performance and Environmental Scrutiny Committees – 9th July 2015

On behalf of the Policy Review & Performance and Environmental Scrutiny Committee I would like to thank you, the other Cabinet Members and officers for attending the joint meeting of the two Committees on Thursday 9th July 2015. As you are aware the meeting considered:

- Pre decision scrutiny of the Cabinet report titled Infrastructure Services – Alternative Delivery Model prior to it being considered at the Cabinet meeting on Thursday 16th July;
- Cabinet response to the Joint scrutiny task group report titled Infrastructure Business Model & Alternative Delivery Options.

The comments and observations made by Members following these items are set out in this letter.

Pre decision scrutiny of the Cabinet report titled Infrastructure Services – Alternative Delivery Model prior to it being considered at the Cabinet meeting on Thursday 16th July

Members noted that important pieces of information were missing from Appendix 11 – Infrastructure Services Alternative Delivery Models: Outline Business Case – July 2015 which was published on Friday 3rd July 2015. In particular Appendix 3 of this document titled ‘Output from Corporate Evaluation Methodology’ was not provided. The Committee felt that this was

one of the most crucial parts of the whole Outline Business Case as it scored each of the fourteen services against the five alternative delivery models. Once provided it was very interesting to see that for the most part the outcome of the Corporate Evaluation Methodology was completely different to the recommendations in the Cabinet paper, i.e. to take the Wholly Owned Arms Length Company forward as the option for developing a Full Business Case. Members were somewhat confused that the outcome of the Corporate Evaluation Methodology and joint scrutiny report were very similar yet cast aside in favour of a Wholly Owned Arms Length Company. Members were advised that the Corporate Evaluation Methodology was one of three key elements of the Outline Business Case, therefore, I would be grateful if you could explain:

- How and why you were able to ignore the outcome of the Corporate Evaluation Methodology?
- Why it was omitted from the Appendix 11 – Infrastructure Services Alternative Delivery Models: Outline Business Case – July 2015 provided on the 3rd July 2015 and only made available following a request on Monday 6th July?
- At the meeting officers explained that changes were made late in the day to the scores of the Corporate Evaluation Methodology; this they were told was as a result of consultation with the trade unions. Please explain the changes and how they impacted on the eventual scores.

Members were concerned at some of the assumptions made originally in Appendix 4 – High Level Financial Analysis Assumptions and subsequently replaced as Appendix 3 – High Level Financial Analysis Assumptions when the Outline Business Case was reissued on Tuesday 7th July 2015. They note that after applying efficiency savings and net income generation assumptions the model illustrates that Public / Private Joint Venture was in first place, Public / Public Joint Venture in second and Teckal (Wholly Owned Arms Length Company) came in third. The assumptions in the overheads and support services sections conclude that many fixed corporate services costs cannot be removed from the Council, therefore, have to remain in

addition to any third party overheads associated in working with a Public / Public Joint Venture, Public / Private Joint Venture and Outsourcing. This in effect handicaps the three models by £6.644 million; £6.257 million and £3.818 million respectively. I would be grateful if you could provide the Committees with:

- A detailed list of the fixed corporate support costs which cannot be removed from the Council budget with an explanation supporting why these cannot be removed.
- Fixed building costs were cited as examples of fixed corporate costs which could not be removed from the Council budget. Members were confused at this assumption because only a few days earlier at the Policy Review & Performance Scrutiny Committee the Director for Economic Development explained that a paper on the future of County Hall would be made available in the autumn. I would be grateful if you could justify this assumption given that there is so much uncertainty over the future of the Council's accommodation and that the Council is in the middle of 'The Office Rationalisation Project'.

During the meeting a Member asked if incentivisation had been considered for the wholly owned arms length company and was informed that this would be explored during the development of the Full Business Case. Members hope that at least some thought has been given to this idea, and would be grateful if you could provide the Committees with some ideas which might be considered during the development of the Full Business Case. In addition to this they are curious to find out more around how the 'John Lewis' effect might absorb itself into a Wholly Owned Arms Length Company when 100% of the dividends would be returned to the Council and not the employees or 'partners' as is the case with John Lewis.

The Committee were concerned by the assumption in the financial model which suggested that the Teckal (Wholly Owned Arms Length Company) would benefit from the initial savings achieved by the Modified In House option, when Public / Public, Public / Private and Outsourcing would not.

Instead the three options were assumed to start from the c£73 million savings figure at the point where they were able to begin the service delivery (periods ranging from 9 to 24 months according to page 85 of the Outline Business Case). Members believe that the Modified In House savings should be an assumed constant for each of the five models until they reach the point at which the new alternative delivery option would take over, i.e. they would all start from different points of the Modified In House savings profile instead of from the c£73 million figure. A constant message to the task group was that irrespective of the alternative delivery model chosen a Modified In House option would need to be pursued right up to the point where the new model would take over. The financial model used by the Outline Business Case should follow this assumption and not work on the basis that no change would happen until the starting point of the new alternative delivery model. Maintaining the current assumption provides the Teckal option (Wholly Owned Arms Length Company) with an unfair advantage which impacts on the overall net present values for Public / Public, Public / Private and Outsourcing.

Members were concerned that the Service Improvement Plans were not available for consideration alongside the Outline Business Case despite them forming a large part of the basis of the £4.053 million in house savings for the period 2015/16 to 2017/18. The Committees were informed that the documents were not yet available as full consultation of the proposals had not been undertaken. As a consequence we are very concerned at the assumption that the savings will be achieved by both the In House model and the Wholly Owned Arms Length Company and do not believe that it should be included within the Outline Business Case as it lacks substance and detail. I would be grateful if you could confirm:

- When the Service Improvement Plans will be finalised and made available for the Members of the Environmental Scrutiny Committee and Policy Review & Performance Scrutiny Committee.
- The outstanding tasks required to complete the consultation on the Service Improvement Plans.

Page 11 of the Outline Business Case states that *'The financial projections in the OBC includes an allowance of £250,000 per annum for the costs of non-executive directors and other corporate governance costs such as the audit fee as well as the cost of the Managing and Business Development Directors'*. As this is a significant amount of annual expenditure I would be grateful if you could provide costed detail on how the assumption was calculated. For example, the amount allocated for non-executive directors, corporate governance costs and the Managing and Business Development Directors.

The email sent to you on Monday 6th July asked for a copy of Appendix 9 which was missing from the original Outline Business Case and titled as 'Project Risks'. If Members are to provide you with robust scrutiny feedback they will need to understand your judgements around risk and how these were reached, so could you please arrange for a copy of this to be provided as soon as possible.

Page 85 of the Outline Business Case states that the 'Implementation Time' for an Outsourcing option would be 12 to 18 months. This is contrary to the two year implementation period advised by Commissioning & Procurement to the joint scrutiny task group. Please provide a basis for the 12 to 18 month assumption and explain why it is different to the advice provided by Commissioning & Procurement in March 2015.

Members were confused as to how employee terms and conditions would be affected following the transfer to the new Wholly Owned Arms Length Company. At one point in the meeting it was explained that employee terms and conditions would not change, then at a later point this was contradicted with a suggestion that they could change. I would be grateful if you could provide Members with clarification regarding:

- The predicted changes to employee terms and conditions, i.e. would they change or stay the same?
- Clarification on how TUPE protection would be applied to employees transferring to the new Wholly Owned Arms Length Company.

- If the new structure would prevent multi tier employee terms and conditions being applied.

I would be grateful if you could provide the Committee with a detailed summary of all alternative delivery model consultation undertaken with the trade unions prior to the joint meeting on the 9th July. This should include what was discussed and any outcomes from meetings.

Cabinet response to the Joint scrutiny task group report titled Infrastructure Business Model & Alternative Delivery Options

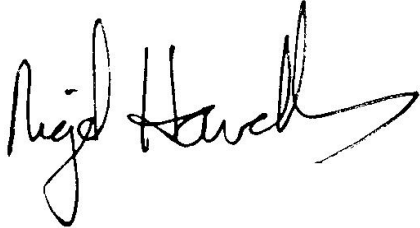
Members note that from the 27 recommendations two were rejected; 11 were accepted and 14 were partially accepted. The Committee acknowledge that you believe recommendations 12, 13, 14, 15, 16, 18, 20, 21 and 23 have been partially accepted, however, the Committee would like to respectfully disagree and suggest that these should have been rejected as in actual fact you are recommending the implementation of different models.

Conclusion

Members fully understand the importance of correctly identifying the best possible alternative delivery model for providing infrastructure services in Cardiff. The outcome of this decision will shape how the Council will spend £73 million per annum and have a direct impact on every citizen in the city along with the countless number of commuters and visitors who come to Cardiff each year. As a consequence we believe that it is not possible to undertake proper scrutiny of the proposals until all of the requested information has been provided and Members are allowed time to properly digest the information. The Committee, therefore, asks that you delay taking a decision on the proposals due to be taken on the 16th July 2015 so that detailed scrutiny can be conducted on the complete proposals.

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, appearing to read 'Nigel Howells', with a long horizontal flourish extending to the right.

Councillor Nigel Howells
Chairperson Policy Review & Performance Scrutiny Committee

Cc to:

Councillor Phil Bale, Leader of the City & County of Cardiff Council

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

Councillor Graham Hinchey, Cabinet Member for Corporate Service & Performance

Paul Orders, Chief Executive

Andrew Gregory, Director of City Operations

Tara King, Assistant Director for the Environment

David Lowe, Waste Operations Manager

Christine Salter, Corporate Director Resources

Jane Forshaw, Director for the Environment

Marc Falconer, Operational Manager, Projects & Accountancy

Paul Keeping, Operational Manager, Scrutiny Services

Marie Rosenthal, Director for Governance & Legal Services

Neil Hanratty, Director for Economic Development

Ken Daniels, GMB

Angie Shiels, GMB

Robert Collins, UCATT

Martin Roberts, UCATT

Jayne Jackson, UNISON

Ian Titherington, UNISON

Jim Pates, UNITE

Thomas Watkins, UNITE

**SWYDDFA CYMORTH Y CABINET
CABINET SUPPORT OFFICE**

Fy Nghyf / My Ref : CM31506
Eich Cyf / Your Ref : RDB/NH/BD/09.07.15
Dyddiad / Date: 16th July 2015



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Councillor Nigel Howells
Chair Policy Review & Performance Scrutiny Committee
Cardiff County Council
Atlantic Wharf
Cardiff
CF10 4UW

Annwyl / Dear Nigel

**Scrutiny Joint Policy Review And Performance And Environmental Scrutiny
Committee 9 July 2015**

I refer to your letter of 13 July 2015 which raised some queries in relation to the presentations made to the joint Policy Review & Performance and Environmental Scrutiny Committee meeting on 9 July and also the documents that had been shared with the Committees ahead of this meeting.

Firstly, please accept my apologies for the documents not being 100% complete at the time these were shared. At the time that the documents were first forwarded to the Scrutiny Office on 3 July, it was explained that some information still needed to be added to the Outline Business Case and both this and the Cabinet report were still being subjected to checking and QA processes. Hence, further amendments were likely before these were finalised. Updated versions of these documents were provided on 7 July and whilst the information previously absent was then included, some further amendments were made ahead of the documents being published on 10 July.

In terms of the specific queries raised in your letter, I would respond as follows:

Corporate Alternative Delivery Model (ADM) Evaluation Methodology

Please be assured that the output from the corporate evaluation methodology was not ignored. At a very early stage in the development of the new corporate ADM evaluation methodology, it was intended that the output from the model would be considered alongside a number of other criteria/factors when identifying the preferred future delivery model(s) for the services being considered. I understand that this was explained to the Policy Review & Performance Scrutiny Committee by officers from the Council's Commissioning and Procurement Service on 7 July.

Both the Outline Business Case and the Cabinet report explain that the ADM appraisal process on this project comprised the consideration of:

- the corporate evaluation methodology output;
- the high level financial analysis, and
- other key factors.

PLEASE REPLY TO / ATEBWCH I : Cabinet Support Office / Swyddfa Cymorth Y Cabinet,
Room 3165 County Hall / Neuadd y Sir,
Atlantic Wharf / Glanfa'r Iwerydd, Cardiff / Caerdydd,
CF10 4UW



Consideration was also given to recommendations made by the Scrutiny Task and Finish, the work of which I have previously gratefully acknowledged.

As stated in the Outline Business Case and Cabinet report, and also explained at the meeting on 9 July, subject to the completion of the Full Business Case, I believe the most appropriate way forward for the Council is to establish a Wholly Owned Trading Company. There are a number of reasons for this. Firstly, the corporate evaluation model, which was piloted on this project, is largely based around the balance of risk and control. This methodology, in assessing appetite for risk and control, is therefore heavily influenced by how the current stakeholder views their current operating environment according to the resources, commercialisation, technology and governance in place at the time of the weighting assessments. However, I believe that the establishment of Wholly Owned Company with the injection of the commercial acumen and proper governance will enable the Council to achieve the required benefits and also maintain a high level of control whilst doing so. Secondly, the high level financial analysis indicates that the Wholly Owned Company will deliver most financial benefit to the Council which is clearly an important issue. Thirdly, other key factors from a Cabinet perspective include: the required speed of delivery of change, allowing more operating freedom for the company whilst retaining overall control, innovation, diversification and commercialisation, maintaining the support of key stakeholders and improved employee ownership and commitment.

As stated at this meeting, the model output was omitted from the documents shared with Scrutiny on 3 July as the weightings, following consultation with the Unions, had not at that time been finalised. The model output, however, was included in the Outline Business Case shared with Scrutiny on 7 July. A summary of the changes made as a result of the consultation process are attached to this letter.

Corporate Overheads

You will be aware that a Public/Public and Public/Private JV company and also contractor would incur and charge both local and central overhead costs against the company which would have an impact upon the net saving benefits realised. It has been assumed that the local overhead charges (e.g. premises, senior management team, etc) would be transferred to the JV company/contractor. However, in terms of the central overhead, an analysis of the existing overhead charges to the services in scope was necessary to determine which were considered to be variable (and hence capable of being mitigated) and fixed (i.e. those that the Council would continue to bear). In summary, c.54% (c£1.5m p.a.) of the charges were considered variable and c46% were considered fixed. Support services were considered to see which activities currently recharged to the areas in scope would remain within the Council. For example where a proportion of activity relates to tasks that will remain with the Council regardless of the model chosen. Examples of this include corporate advice and compliance, corporate performance mechanisms and other monitoring responsibilities.

Therefore, as stated in Appendix 3 of the Outline Business Case, a reduction in overhead charge of £1.5m was assumed.

During the meeting, in response to a Scrutiny query about establishment overheads, Officers responded by saying that the overhead charges covered many factors other than property. When checking the assumptions made, I confirm that the financial modelling has already assumed that accommodation charges would effectively be transferred to a JV company or contractor.

A summary of the overhead charges, as extracted from Appendix 3 of the Outline Business Case, is shown below:

	Modified In-house		Wholly Owned Company		Public Public JV		Public Private JV		Outsource	
	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12	Yrs 1 - 7	Yrs 1 - 12
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Model Costs										
Overheads	0	0	0	0	12,912	22,775	11,768	21,620	10,201	19,181
Company related costs			1,577	2,827						
S-T : Model	0	0	1,577	2,827	12,912	22,775	11,768	21,620	10,201	19,181
Council Savings										
Support Services					-8,450	-16,131	-7,681	-15,363	-7,681	-15,363

In respect of the above the table:

- 'Overheads' – this refers to the assumed cost of overhead for the different models. No additional overhead charge has been assumed for the Modified In-House and Wholly Owned Company models and, as stated in Appendix 3 of the Outline Business Case, a cost of 3.8% has been assumed for the JV models and 3.3% for the Outsource model
- 'Company related costs' - this corresponds to the £250,000 per year for the Wholly Owned Company model primarily for the employment of a Managing Director and Business Development Manager with the purpose of providing the required injection of commercial acumen. The remaining costs make an allowance for Non-Executive Director costs/expenses and other incidental governance aspects such as audit.
- 'Support Services Costs' – this refers to the reduction in existing Council overhead that would be possible if one of the joint venture models was established or the services were outsourced. As stated above, the reduction assumed per year based on the overhead analysis undertaken was £1.5m. It should not be noted that no reduction has been made for Modified In-house and Wholly Owned company models although in practice, overhead reductions for both these models would be achieved.

Incentivisation

As explained at the meeting, possible alternatives for the incentivisation of staff need to be assessed and analysed. In particular, consideration will need to be given to how any incentivisation would impact on potential Equal Pay issues both within the Company and between the Company and the Council more generally. I am not in a position to share any thoughts with Scrutiny at this Outline Business Case stage but will be able to report more detail as the Full Business Case develops and would welcome further dialogue on these matters. In terms of reference to the 'John Lewis' effect, Officers recognise that staff would not be shareholders in a Wholly Owned Company. However, the reference was made in respect of the benefits of improving the motivation, engagement and commitment of staff that being part of a Wholly Owned Company would bring.

Model Saving Assumptions

It is important to note and understand that the high level financial model is assumptions driven. The assumptions made are set out in Appendix 3 of the Outline Business Case. These were informed through the Soft Market Testing undertaken at the end of 2014 and research, and subject to challenge by Local Partnerships. In respect of the modified in house model, the saving assumptions are derived from the savings plans prepared by the Operational Managers for the 3 year MTFP period commencing in 2015/16. These are set out in Table 4 of the Outline Business Case. It was also assumed that these would form a significant part of the savings for the Wholly Owned Company model. In terms of the other models, similarly detailed saving proposals were not available, and in order to avoid double counting, it could not be assumed that the identified Modified In-house savings would be additional to the percentage efficiency savings assumed for the other models. It is believed that this was a fair way to evaluate the efficiency savings of the alternative models being considered and did not place the Wholly Owned Company with an unfair advantage.

Service Improvement Plans

As explained at the meeting, it would have been appropriate to release details of proposed savings ahead of the required consultations being undertaken. However, it was important to include the high level detail under the headings identified within the Outline Business Case so that a 'flavour' of the types of savings envisaged could be shared. The alternative would have been to simply include a corresponding overall percentage saving in a similar manner to that provided for the other models.

It is intended to commence these consultations on all directorate and personnel savings as part of delivering a Final Business Case in the new calendar year. The Final Business case (FBC) process with the process would be consistent with best practice, be required for any model; and the consultation would develop in the next stages and will be regularly reviewed as part of existing applied strong Project Governance

Page 11 of the Outline Business Case

The majority (c.£230,000) of the £250,000 Wholly Owned Trading Company Management Costs, also referenced in Appendix 3, relates to the employment of a Managing Director and Business Development Manager with the purpose of providing the required injection of commercial acumen. The remaining costs make an allowance for Non-Executive Director costs/expenses and other incidental governance aspects such as audit. As identified in both the Outline Business Case and Cabinet report, the Company governance proposals, and corresponding costs, will be fully developed as part of the Full Business Case. Such management costs are comparable to that for a Public/Public and Public/Private JV.

Appendix 9 of Outline Business Case

The risk register which would have been included in Appendix 9 of the Outline Business Case forwarded to Scrutiny on 3 July was provided in Section 4 of the Outline Business Case forwarded on 7 July. It was also included at this location in the version published on 10 July. The risk register will continue to develop in the next stages and will be regularly reviewed as part of existing applied strong governance.

Page 85 of the Outline Business Case

The 12 – 18 months' timescale was a typo picked up prior to the publication of the OBC on Friday 10 July. This was corrected to 18 – 24 months prior to publication of the final version.

Employee Terms and Conditions

It is confirmed that employees transferring to a Wholly Owned Trading company would do so under TUPE on their contractual terms and conditions operational at the time of transfer. In order to comply with current legislative requirements and avoid the Council having challenges from an Equal Pay perspective, any changes to terms and conditions would need to be applied to all employees under its control. It is therefore not intended to make any changes to the terms and conditions of transferring employees which would be contrary to such legislative requirements. The Wholly Owned Company would also be subject to the Code of Practice on Workforce matters as it stands in Wales, and therefore any new recruits to the Wholly Owned Company would also have terms and conditions at the same level as those employees who have transferred, mitigating the risk of a two-tier workforce.

Union Consultations

Consultation with the Unions commenced at the end of May 2014, shortly after Cabinet approved the Chief Executive's Organisation Development report, through the Trade Union Budget Forum. Consultations have been ongoing since this time and details of meetings are hereby attached as requested.

Cabinet Response to Task and Finish Report

It is believed that recommendations 12, 13, 14, 15, 16, 18, 20, 21 and 23 were partly accepted on the basis that both the currently preferred models of the Cabinet and that of the Scrutiny Task and Finish Group involve transferring services to a different model from that currently operated. These recommendations were not completely accepted on the basis that Cabinets currently preferred model is different to that of the Scrutiny Task and Finish Group.

Conclusion

I appreciate that a relatively small amount of information was shared with the Scrutiny Committee's at a relatively late stage. However, taking into account the information that has previously been shared to and from Scrutiny's , I believe that adequate Scrutiny has taken place at this stage in the project. I am very keen to progress and continue with your inputs which have been very helpful to date. As such I have asked officers to set out clearly timeframe gateways within the next stage (FBC) stakeholder plans, such that you may consider within your work forward plans for the year.

As previously advised, the project is adopting a gateway process and following the completion of the next critical stage, of the Full Business Case and Transition plan there will be a certain key point for a full pre- decision Scrutiny to take place on a final decision on the proposed way forward.

I trust this response is helpful. However, if you have any queries, please contact me.

Yn gwyir
Yours sincerely



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

Enc:

- Summary of Changes Made to Model Output
- Details of Trade Union meetings

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

**JOINT ENVIRONMENT AND POLICY REVIEW & PERFORMANCE SCRUTINY
COMMITTEE**

26 AUGUST 2015

**INFRASTRUCTURE SERVICES – ALTERNATIVE DELIVERY MODELS -
CONSIDERATION OF CALLED-IN CABINET DECISION CAB/15/24**

Background

1. The Council's Constitution makes provision for a Call-In Procedure which provides that any non-Cabinet Member may call-in a decision of which notice has been given, by giving notice in writing to the Operational Manager of Scrutiny Services within the Call-In Period (within seven clear working days after publication of the decision). The Operational Manager shall then notify the Cabinet Business Office and call a meeting of the relevant Scrutiny Committee, where possible after consultation with the Chairperson of the Committee, and in any case within five clear working days of the decision to call-in.
2. Cabinet Decisions, for purposes of the Call-In Procedure, are those made by the Cabinet, a Committee of the Cabinet, the Leader, a Cabinet Member, the Chief Executive or a Corporate Director (or other post holder/s within the same tier of management or responsibility).
3. During the Call In period after the Cabinet meeting of the 16 July 2015 a non executive councillor submitted a request to Call In the decision on the item titled 'Infrastructure Services – Alternative Delivery Models'. The report sought approval to take the Wholly Owned Arms Length Company and Modified In house alternative delivery models forward from the list of five shortlisted options for the development of a Full Business Case. It is anticipated that the Full Business Case for the Wholly Owned Arms Length Company will be considered by Cabinet in January 2016.

4. The Cabinet Decision CAB/15/24 made on 16 July 2015, published on the 20 July and with a proposed implementation date of 29 July 2015, resolved that:
- The content of this report and the Outline Business Case, attached in Appendix 1, be approved;
 - The conclusion of the report that the most appropriate future delivery model for the services in scope is a Wholly Owned Company (Teckal) be agreed;
 - The establishment of a Full Business Case and Shadow Board to govern the company establishment be agreed and authority delegated to the Chief Executive to work with the Leader of the Council and the Cabinet Member for the Environment to define the appointments of the Directors and Non Executive Directors to the Shadow Board;
 - The completion of a Full Business Case for the Wholly Owned Company model and also the Modified In-House Model be agreed and the findings be reported back to Cabinet early in 2016 together with recommendations as appropriate regarding:
 - The detailed financial analysis for delivering a full range of efficiency and income benefits against cost complete with sensitivity analysis;
 - The appropriate legal vehicle for the proposed trading company, for example, a company limited by shares or by guarantee;
 - The proposed governance of the company, including possible alternatives for the composition of the company Board;
 - The proposed contractual arrangements between the Council and the proposed company, in particular, what company matters would be 'reserved' and require Council approval prior to implementation, and also performance management of the contract;
 - The proposed arrangements between the Council and the company regarding the provision of support services, for example, the provision of HR, Finance, Commissioning and Procurement, and ICT services;
 - Opportunities for increasing external trading and local market analysis;
 - Whether or not it would be appropriate to remove some services currently in

scope due to robust business alternatives and reasoning, or parts thereof due to strategy setting roles, and whether some other services should be included at this stage or set out phases in the following year(s);

- Requirements in relation to the proposed transfer of staff to the new company in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended;
- Financial implications in respect of pensions, day to day management of the Wholly Owned Trading company, and taxation;
- The transfer of relevant assets, for example, relevant accommodation, vehicles and equipment, and;
- The initial investment required to fully establish the proposed Wholly Owned Company.

- The allocation of resources as identified in paragraph 68 of the report for the completion of Recommendations 3 and 4 above be approved and authority delegated to the Chief Executive in consultation with the Cabinet Member for Corporate Services and Performance and the Corporate Director Resources to authorise amendments to these resources as necessary for the satisfactory completion of the Full Business Case, and;
- Consultation commence on and thereafter implement the saving opportunities identified for the Modified In-house and Wholly Owned Company Trading options to allow the financial benefits to be achieved within the timescales identified.

5. The reason provided in the decision register for taking this decision was:

- To enable the most appropriate future service delivery model for the services in scope to be determined and thereafter enter the Final Business Case Stage.

6. A copy of the relevant section of the Register of Cabinet Decisions, setting out the decision and reasons for this decision, is attached as **Appendix 1**.

7. Attached as **Appendix 2** is the report to the Cabinet Business Meeting of 16 July 2015. **Appendix 2** itself contains five appendices, these are:

- **Appendix 1**– Infrastructure Services Alternative Delivery Models. Outline

Business Case. July 2015.

- **Appendix 2-** A Joint Report of the Environmental and Policy Review and Performance Scrutiny Committee's. Infrastructure Business and Alternative Delivery Options.
- **Appendix 3-** Response to Environmental and Policy Review and Performance Scrutiny Committee's Task and Finish Group Report Recommendations.
- **Appendix 4** - Project Programme – FBC Stage.
- **Appendix 5** – Statutory Screening Tool.

8. A non executive councillor has requested that this decision is called in for Scrutiny Committee consideration. The reasons given for the Call In are:

- To explore the extent of staff and trade union consultation around developing the Outline Business Case for identifying a suitable alternative delivery model for services in Cardiff;
- To establish if there is sufficient detail in the Cabinet report to take a decision on which alternative delivery model proposal is taken forward to the Full Business Case development stage;
- To establish at which point during the development of the Outline Business Case that Members had the opportunity to provide their views and feedback;
- To establish a timeline for the alternative delivery model process to include how and where (Cabinet, Council, etc..) decisions are taken.

9. The Environmental Scrutiny Committee and Policy Review & Performance Scrutiny Committee terms of reference were last agreed by Full Council on 25 June 2015. These cover a wide range of topics relevant to the development of an alternative delivery model. The full terms of reference for the Environmental Scrutiny Committee and Policy Review & Performance Scrutiny Committee are attached to this report as **Appendices 3** and **4**.

10. The role of Scrutiny Committees calling in a decision is:

- To test the merits of the decision;
- To consider the process by which the decision has been formulated;

- To make recommendations (to support the decision, change aspects of the decision or to invite the decision making body to reconsider);
 - To suggest further steps before a decision is made.
11. Members will remember that a Joint meeting of the Policy Review & Performance Scrutiny Committee and the Environmental Scrutiny Committee was held on the 9 July 2015 and considered an item titled 'Infrastructure Services & Alternative Delivery Model Proposals'. Following this item the Chairperson wrote a letter to the Cabinet Member for the Environment which set out the comments, observations and concerns of both committees about the alternative delivery model proposals. The Cabinet Member for the Environment replied to this letter on the 16 July. Copies of these letters have been attached to this report as **Appendices 5** and **6** respectively.
12. Following the meeting the Chairperson also wrote a letter to each of the four trade unions who took part in the meeting. Copies of these letters are attached as **Appendices 7, 8, 9** and **10**. At the time of writing this report none of the trade unions have provided a reply to the letters.

Scope of Scrutiny

13. The Committee therefore needs to consider this call-In in accordance with the requirements of the Call-In Procedure. The scope of this scrutiny is limited to exploring the reasons for the call-in listed in paragraph 8.
14. It is important that Members focus their questions directly on the decision taken by Cabinet on 16 July 2015. Should questions be evaluated as probing decisions not within the remit of the call-in then the Chair will deem it necessary to disallow the line of inquiry.
15. Under the Call-In Procedure, the relevant Scrutiny Committee may consider the called-in decision itself, or decide to refer the issue to the Council for Scrutiny if the matter is of general significance and importance to the Council as a whole. A Council meeting to consider this issue must take place within 10 clear working days of such a referral, unless otherwise agreed between the Leader and the Chairperson of the relevant Scrutiny Committee.

16. Having considered the decision, the Scrutiny Committee may refer it back to the decision maker for reconsideration, setting out in writing the nature of its concerns. The decision maker shall then reconsider the matter before adopting a final decision, arranging for the decision to be changed to reflect points made by the Scrutiny Committee, or formally deferring the matter for further consideration. The relevant Scrutiny Committee or Council as appropriate will be advised of the outcome at its next meeting.
17. If following a Call-In, the matter is not referred back to the decision maker, the decision shall take effect on the date of the relevant Scrutiny Committee or Council meeting which considers the issue, or the expiry of the Scrutiny Period or the Council Scrutiny Period as appropriate, whichever is the later.
18. In order to undertake its task the Committee will have the opportunity consider statements from the following witnesses:
 - Jayne Jackson & Ian Titherington – Unison
 - Haris Karim & Jim Pates – Unite
 - Robert Collins – UCATT
 - Ken Daniels & Angie Shiels – GMB (TBC)
 - Howel Jones – Local Partnerships (TBC)
19. If any written statements are provided for the meeting then a section has been allocated within the agenda for their consideration.

Legal 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 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

21. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to consider Cabinet Decision CAB/15/24 in accordance with the Call In Procedure.

Marie Rosenthal

Director of Governance & Legal Services

20 August 2015

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

Date: 8 December 2015



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

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

Councillor Bob Derbyshire
Cabinet Member, Environment,
Cardiff Council,
County Hall
Cardiff
CF10 4UW

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.

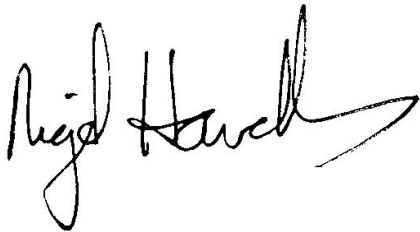
Finally, the Committee wishes to ensure that the new operating arrangements maintain the existing Council ethos of working with SME's. In this respect we would be grateful to have sight of the list of SME's with whom services under consideration for transfer to the new Company are currently working.

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;

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**SWYDDFA CYMORTH Y CABINET
CABINET SUPPORT OFFICE**

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



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

Neuadd y Sir
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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 / Bannfa'r Iwerydd, Cardiff / Caerdydd



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 12th 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 style with a large, stylized 'M'.

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

6 May 2016

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

Dear Councillor Mitchell

Environmental Scrutiny Committee Meeting 15th March 2016

Thank you for your letter of 11th April regarding matters discussed at the Environmental Scrutiny Meeting on 15th 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
Recycling and Waste Management Services	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: <ul style="list-style-type: none">• Commercial Waste• Strategy function• Consultancy around domestic collection round modelling• Boundary integration• Fleet utilisation• Increase and secure longer term contracts with neighbours on recycling processing, transfer and treatment;
Neighbourhood Services	The main opportunities are to achieve efficiencies through the integration of management and back office services. Further opportunities include nursery sales,

	<p>extending the integrated Enforcement function, and fleet utilisation, Tree management, bordering grounds.</p>
Total Facilities Management	<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>
Fleet Services	<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>
Design Consultancy	<p>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.</p>
Highways	<p>Neighbouring Councils are experiencing capacity and resilience issues in delivering highway services. All Councils are increasing third party</p>

	<p>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>
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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 'passport' 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 12th 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.

Yours sincerely

Councillor Bob Derbyshire

Cabinet Member for the Environment

Enc

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

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