

Infrastructure Services Alternative Delivery Models

Full Business Case



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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.

Contents

Executive Summary

1. The Strategic Case

- 1.1 Outline Business Case Recommendations
- 1.2 Scope Changes
- 1.3 Full Business Case Purpose and Sections
- 1.4 Project Objectives
- 1.5 Modified In-House Defined
- 1.6 Wholly Owned Company Defined

2. Economic and Commercial Case

- 2.1 Outline Business Case Options Appraisal Process
- 2.2 Outline Business Case Conclusions
- 2.3 Full Business Case - Analysis Stage
 - 2.3.1 Due Diligence of Services in Scope
 - 2.3.2 Existing Income Assessment
 - 2.3.3 Review of Procurement Procedures and Outsourcing Relevant to Services in Scope
 - 2.3.4 Review of ICT Matters
 - 2.3.5 Review of Enterprise Architecture Requirements
 - 2.3.6 Review of Assets
 - 2.3.7 Human Resource Information
 - 2.3.8 Legal Advice
 - 2.3.9 Information Governance Advice
 - 2.3.10 Social Value Review
 - 2.3.11 Preparation of Service Strategies
- 2.4 Overarching Strategy for Future Delivery Model
 - 2.4.1 Introduction

2.4.2 Ambitions for Future Delivery Model

2.4.3 Strategy to Achieve Ambitions

2.5 Financial Analysis

2.6 Conclusions Regarding the Preferred Model of Delivery

2. Financial Case

3.1 Delivery of Operational Benefits and Timescales for Realisation

3.2 Implementation Costs

3.3 Corporate Management Costs

4. Management Case

4.1 How the Changes will be Governed

4.2 How the Changes will be Managed

4.3 Implementation Timetable

4.4 Stakeholder Engagement

4.5 Reporting & Monitoring

4.6 Key Enablers

4.7 Management of Risk

References

- Cabinet Paper 15 May 2014 – ‘Establishing a Programme of Organisational Change for the City of Cardiff Council’

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

Appendices

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

Executive Summary

Strategic Case

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

Table 1: Services within Scope of the Project

Directorate	Service Area(s)
City Operations	<ul style="list-style-type: none"> • 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)	Insourced (£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 preceding 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 is proposed that a Cardiff Commercialisation and Accelerated Improvement (C&AI) Programme be established to drive commercialisation and productivity across the Council as a whole. The Programme would be governed by a Board comprising relevant internal Directors and potentially external representatives with appropriate commercial skills and experience. The programme would be supported by an Assistant Director who would report to the Board and be responsible for operational implementation of service improvement strategies in the Commercial Services area.

2. Transforming Neighbourhood Services

Early successes achieved through the new Neighbourhood Services approach demonstrates that this approach should be continued and developed to the next level. This is not an argument to cease the ongoing operational changes but to accelerate the completion of the integration of the relevant services, in particular, Highway Operations, Parks Services, Street Cleansing and all environmental enforcement services. To date, work has focused upon the front line operations. However, there is now a need to also focus upon the integration of the management, back office and support services, to finalise operational expansion city wide and deliver the commercial opportunities in line with service strategies to ensure delivery of 2016-17-18 savings plans and proposals.

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

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

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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

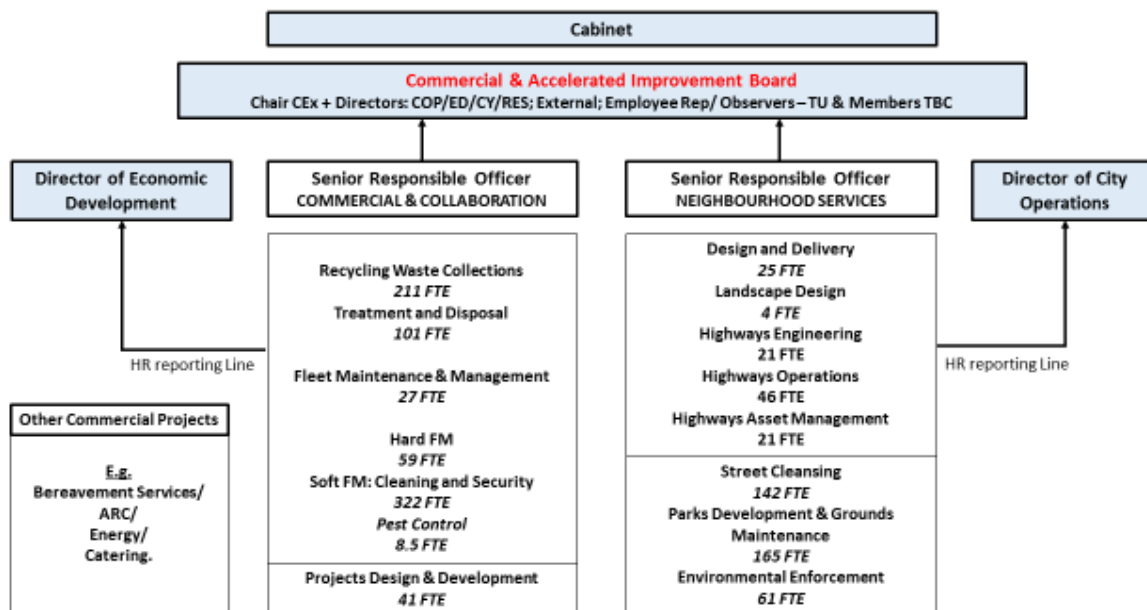
3.4.1 It is envisaged that the Corporate Management costs would not change as a result of the implementation of the Modified In-House proposals, in particular, the commercialisation programme. However, as previously highlighted, a key factor behind the success of the programme would be the imbedding 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 to communicate to all identified stakeholders and to continue to support the project through its commercialisation programme.

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

4.5 Reporting and Monitoring

4.5.1 The Assistant Director (Commercialisation and Improvement) would be responsible for the management and performance reporting on the services whilst transferred to the

Commercialisation Programme. Directors would remain responsible for the management and performance reporting on services prior to, and following their return from (if appropriate), the Programme.

4.6 Key Enablers

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

- Implementation of a Fleet Management Information Technology package for the Central Transport Service;
- Implementation of the new enterprise architecture including rostering, scheduling and mobile working technology to facilitate operational efficiencies and improve customer services;
- Development of a commercial brand together with a commercial website;
- Completion of a review of the Fleet and Building Services Frameworks;
- Provide strong support in respect to the introduction of apprenticeships and developing links with the NEETs agenda;

- The adoption of a 'One-Council' approach to asset management, investment, development and maintenance in respect of the Council's infrastructure assets;
- The completion of zero-based budgeting for all the services in scope including the identification of clear income and cost assumptions to develop a clear understanding of expenditure and income budgets and how they will support the delivery of the future strategic approach;
- The on-going effective engagement of the Trade Unions and employees regarding the operational improvements identified within the service and 'overarching' strategies;
- Support to explore collaboration opportunities with other council's and public bodies, and
- Appropriate internal and external resources to support the programme.

4.7 Management of Risk

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

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

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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	Internal: <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.
<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;

<p>Service Title</p>	<p>Parks & Sport</p>
<p>Service Description</p>	<p>Management and development of public open space provision throughout the city; and the provision and the development of outdoor sport.</p>
<p>Statutory Services Provided</p>	<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
<p>Non-Statutory Services Provided</p>	<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



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

Task Summary External Milestone Inactive Summary Manual Summary Rollup Finish-only Manual Progress
Split Project Summary Inactive Task Manual Task Manual Summary Deadline Manual Progress

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

Infrastructure Services Final Business Case – Scrutiny Issue 31 5 16

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

Infrastructure Services Final Business Case – Scrutiny Issue 31 5 16

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

