

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

### Recommendation 1 – Required Speed of Change

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

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

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

**Response** – this recommendation is accepted

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

### Recommendation 2 – Implementation of Systems & Technology

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

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

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

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

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

**Response** – this recommendation is accepted.

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

### **Recommendation 3 – Multi-Skilling & Training**

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

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

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

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

**Response** – this recommendation is partly accepted.

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

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

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

#### **Recommendation 4 – Income Generation & Commercialisation**

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

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

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

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

**Response** – this recommendation is accepted.

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

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

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

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

### **Recommendation 5 – Performance Management**

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

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

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

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

**Response** – this recommendation is accepted.

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

### **Recommendation 6 - Managing Cultural Issues**

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

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

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

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

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



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

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

**Response** – this recommendation is accepted.

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

## Recommendation 7 – Financial

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

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

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

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

**Response** – this recommendation is accepted.

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

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

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

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

### **Recommendation 8 – The Main Proposed Model**

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

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

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

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

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

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

**Response** – this recommendation is not accepted

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

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

Additionally, the Wholly Owned Company:

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

- provides an appropriate strategic approach to achieving the required improvements, that is, if the key success criteria are not satisfied as determined through the ongoing Gateway Review Process, the necessary Company changes can be implemented or a further alternative delivery model adopted.

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

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

### **Recommendation 9 – High Level Structure of the Infrastructure Business Model**

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

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

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

**Response** – this recommendation is partly accepted

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

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

### **Recommendation 10 – Client Function**

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

**Response** – this recommendation is accepted.

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

### **Recommendation 11 - Waste Education & Enforcement**

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

**Response** – this recommendation is not accepted.

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



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

### **Recommendation 12 - Waste Collections**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 13 - Waste Street Cleansing**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 14 - Waste Treatment & Disposal**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 15 - Highway Asset Management**

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

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 16 - Highway Maintenance**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 17 - Pest Control**

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

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 18 - Central Transport Services**

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

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 19 - Soft Facilities Management**

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

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 20 - Parks Services**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 21 - Hard Facilities Management**

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 22 - Projects, Design & Development**

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

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

**Response** – this recommendation is partly accepted

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

### **Recommendation 23 - Infrastructure Design & Construction Management**

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

**Response** – this recommendation is partly accepted

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

#### **Recommendation 24 – Evaluation Matrix**

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

**Response** – this recommended is accepted

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

#### **Recommendation 25 – The Williams Report**

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

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

**Response** – this recommendation is accepted.

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

### **Recommendation 26 – Creation of Service Specifications & Division of Duties**

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

**Response** – this recommendation is accepted.

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

### **Recommendation 27 – Consultation & Transition Arrangements**

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

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

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

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

**Response** – this recommendation is accepted.

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

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