

6 May 2016

Councillor P Mitchell
Cardiff Council
County Hall
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Dear Councillor Mitchell

Environmental Scrutiny Committee Meeting 15th March 2016

Thank you for your letter of 11th April regarding matters discussed at the Environmental Scrutiny Meeting on 15th March 2016.

Having considered the points raised in your letter, I respond as follows:

Infrastructure Services – Full Business Case Strategy Briefing

- Collaboration – the ‘overarching’ strategy shared with Scrutiny set, out at a high level, the collaboration opportunities initially identified with respect to the proposed 6 service clusters. For ease of reference, the summary table is included below:

| Service Cluster | Key Collaboration Opportunities |
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| Recycling and Waste Management Services | Prosiect Gwyrdd has been achieved through a procured contract basis. The Council could either trade and offer services to other Councils or collaborate in a true partnership to achieve efficiencies through the integration of management and back office services: <ul style="list-style-type: none">• Commercial Waste• Strategy function• Consultancy around domestic collection round modelling• Boundary integration• Fleet utilisation• Increase and secure longer term contracts with neighbours on recycling processing, transfer and treatment; |
| Neighbourhood Services | The main opportunities are to achieve efficiencies through the integration of management and back office services. Further opportunities include nursery sales, |

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| | <p>extending the integrated Enforcement function, and fleet utilisation, Tree management, bordering grounds.</p> |
| Total Facilities Management | <p>Building Services: The Council has limited internal capacity. Collaboration would be a low priority in the short to medium term. The focus would be on building internal capacity.</p> <p>Security and Cleaning: The Council could trade or collaborate with neighbouring authorities and increase commercial opportunities. There are opportunities to achieve efficiencies through the integration of management and back office services.</p> <p>Total Facilities Management: If the Council moved to a fully integrated model and could combine the marketing strategy of the Alarm Response Centre (ARC), where the Council could add the offer the ARC platform and 24/7 control with other Councils alongside the other FM services.</p> <p>Pest Control: The Council has one of the biggest services regionally. Other Councils are either ceasing services or offering minimum services. The Council could trade and/or collaborate in the delivery of Pest Control services. This would increase direct income and achieve efficiencies through the integration of management, marketing and back office services.</p> |
| Fleet Services | <p>Fleet management services could be pooled and overall costs streamlined.</p> <p>In terms of Fleet maintenance then there are opportunities to achieve efficiencies through the integration of management and back office services as well as sharing technology costs.</p> <p>Geography is also an opportunity where multiple depot facilities are nearby. Engaging with the wider public sector would enable the workshops to operate in the evenings and thereby reduce vehicle off road time and spot hire costs internally while increasing potential to insource external maintenance contracts.</p> |
| Design Consultancy | <p>The majority of regional Councils have externalised their Design function due to a lack of internal capacity and key skills, as well as recruitment planning issues. There is therefore an opportunity to develop a combined traded service that can be offered to other authorities.</p> |
| Highways | <p>Neighbouring Councils are experiencing capacity and resilience issues in delivering highway services. All Councils are increasing third party</p> |

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| | <p>supply chains to compensate.</p> <p>Collaboration would support the achievement of efficiencies through the integration of management and back office services, sharing assets/fleet/plant in some instances. It would also provide greater buying power and improved management of the existing supplier market with the potential to create economies of scale to bring more work back internally and reduce supplier costs.</p> |
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Further discussions need to be held with adjacent authorities regarding these opportunities and it is intended that Cabinet be asked to approve the continuation of this dialogue when it considers the Full Business Case report in May.

It is believed that Local Government Reorganisation (LGR) would not have a detrimental impact upon the operational of either of the two models being considered. Both models would be sufficiently flexible and adaptable to accommodate any future LGR, for example, a potential merger with the Vale of Glamorgan.

ICT – a review of the current systems currently used by the services in scope has been undertaken. Key points identified from this review include the following:

- There is little consistency regarding how similar business processes are implemented across the different services;
- Most services deal with customers and offer services to the customers or perform tasks as a result of the customer contact. Customer records are kept on a variety of systems, thus duplicating data and creating jobs on a number of disparate systems;

The front line services in scope of the project should standardise their processes and systems used, and as part of this, they should also look to improve the customer experience by introducing more digital services. This would enable the service areas to:

- Achieve savings by unifying processes to achieve efficiency savings through:
- Utilising the workforce and resources more effectively;
- Reducing Back Office effort by automating processes where possible;
- Reducing end to end processing times;
- Reducing failure demand;
- Improving productivity, and
- Eliminate duplication of data
- Provide a more integrated process than present
- Remove manual effort from the processing of information and data;

- Improve customer journey experience and expectation, and
- Improve performance management & management information to make better informed decisions.

The same architectural improvements will be recommended for both models being considered.

In terms of new technology, it is confirmed that off the shelf packages be used as far as it is possible to do so.

The implementation of new enterprise architecture has been recognised as a key enabler for the proposed service strategies and hence Cabinet will be asked to approve the proposals when considering the Full Business Case report in May. Implementation programme will commence as soon as this authorisation is received.

Central Transport Services FMIT – The reason for the apparent long period of development in respect to the provision of an FMIT system relates to the shortfalls in the off the shelf FMIT systems identified when the initial review was undertaken some years ago, particularly in respect of their integration capabilities with SAP. For this reason, the Council has tried to use SAP as a platform for fleet management but it has been difficult to configure the platform to meet the business needs and provide the necessary management information. During this time, the software companies have developed their systems which mean that integration with SAP is now possible and detailed consideration is currently being given to how this integration will be achieved. Once this work is completed, assuming the output is positive, an off the shelf system will be procured and installed. It is intended that a full functional FMIT system be operation by the start of the 2017/18.

- Governance – it is confirmed that the proposed governance arrangements for the proposed way forward will be set out in the Full Business Case and associated Cabinet Report.
- Commercial Internal Directorate – I note that you have asked the Trade Unions to advise their thoughts on a 'Commercial Internal Directorate' and any comments regarding assumptions made in respect of the Full Business Case. Myself and Project team representatives have had frequent dialogue with the Trade Unions throughout the Full Business Case work and I support the engagement approach being taken by Scrutiny as described in your letter.
- Income – for a Wholly Owned Company to comply with the Teckal exemption (now incorporated into UK law through Regulation 12 of the Public Contracts Regulations 2015 (SI 2015 No 102), in addition to other requirements, the trading activity of the Company must not exceed 20% of the turnover of the company, that is, 80% or more of the activity of the company must be for the Council. In 2015/16, approximately 8% of the

cumulative turnover for the services in scope was derived from external trading. Hence, assuming no change in the 'passport' work, the headroom for growth is 12%. This equates to approximately £8.8m in respect of the 2015/16 cumulative turnover of c£73m.

In order to compare trading opportunities between the modified in-house and Wholly Owned Company models, it is important to consider the legal position. In summary, the council can deliver/sell services directly to other local authorities and certain public bodies on whatever terms it wishes and can make a profit if it chooses to do so – there is no need to set up a company in order to trade in this market. The Council can also provide services (provided they are not under a duty to do so) directly to anyone else including the private sector/individuals on a charging basis (i.e. covering its costs) but cannot do so commercially/make a profit. If it wishes to do this, it has to set up a company. The Council can collaborate with any other local authority to deliver/sell services but the question which needs to be answered in each case is – to whom are the services being sold/delivered? This governs whether the Council would need to set up a company to trade the services commercially.

Proposals for commercial growth will be set out in the Full Business Case shared with Scrutiny ahead of the meeting scheduled for 12th May. Detailed business plans for each opportunity have not yet been completed but these will be immediately progressed as required following Cabinets consideration of the Full Business Case at its meeting in May.

- **Body Camera's** – Following Cabinet approval of the Corporate Body Worn Cameras Policy in January 2016, the Council's Improvement & Information Team put together an action plan to enable the successful implementation of the devices within the Civil Parking Enforcement Team for a trial period of 3 months duration. Once the trial deployment of the cameras has been reviewed by both the Service and the Improvement and Information Team, any potential further deployments will be assessed in line with the Policy. All deployments are approved by the Senior Information Risk Owner (SIRO), who has delegated authority under Scheme of Delegation to manage and maintain compliance with the Data Protection Act 1998 together with the Council's Data Protection policies and Privacy Impact Assessment requirements under the CCTV Code of Practice. It is currently envisaged that the trial will commence in May allowing evaluation at the end of the summer. The Waste Enforcement Team is making the necessary arrangements to commence using the camera's as soon as possible after the trial has been completed on the assumption that it will have been successful.

City Operations Directorate – Performance Report Qtr 3 – 2015/16

- **WMT/009a-** We welcome your continued focus on recycling performance. This is a priority for the service area and Council. We closely track the recycling tonnages, but will also show caution as there

are many external factors, such as global markets and weather, that can influence our performance.

- **PPDR** – the reasons for the difference is because a number of staff left the Council - 12.5 planned FTE cuts within the 2015/16 budget plus adhoc leavers and those who change department accounts for this difference.
- **Litter Levels** – the LEAMS results for 2014/15 and 2015/16 are attached as requested. Also attached is a copy of Keep Wales Tidy's (KWT) report for the 2014/15 period. You will note from this that Cardiff's LEAMS values are slightly higher than last years (CI was 66 and % streets of Grade B and above was 93.7%). The increase on last year's performance is re-assuring, especially as the Council rolled out the new Neighbourhood Services approach city wide in February.
- **HWRC** -As you are aware the initial Cabinet decision was tabled for 16th July and subject to approval the work was due to commence quickly during the summer weather. Following the call in process the final decision had to be referred to Cabinet for a second time to reconsider the recommendations made through the call in. This meant that the final decision was not taken until 2nd October, some three months after the planned start date. Following this delayed decision the availability of project design resources needed to be realigned to the new timescale, and so did the winter weather period. In addition a solution needs to be secured for the reuse partner prior to the Wedal site closing. All of these factors have meant that the overall project timeline has moved.

I trust this response satisfactorily addresses the queries raised in your letter.

Yours sincerely

Councillor Bob Derbyshire
Cabinet Member for the Environment

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