

JOINT SCRUTINY COMMITTEE

9 JULY 2015

Present: County Councillor (Chairperson)
County Councillors Clark, Cowan, Chris Davis, Howells, Mitchell,
Murphy and Darren Williams

1 : CHAIRPERSON

The Committee Agreed to elect Councillor Nigel Howells as Chairperson

2 : APOLOGIES FOR ABSENCE

Councillors: Goodway, Hunt, Lomax, Marshall and Huw Thomas

3 : DECLARATIONS OF INTEREST

The Chairperson reminded Members that they had a responsibility under Article 16 of the Members' Code of Conduct to declare any interests and complete Personal Interest forms, at the commencement of the agenda item in question. The Chairperson also reminded Members that if they had completed Annual Forms there was still a need to disclose any interest. Members were asked when declaring an interest to clearly inform the meeting of the interest in question, to complete a personal interest form and to indicate if they were withdrawing from the meeting (this was especially important for recording the interest in the minutes).

4 : OUTLINE OF PROCESS BY CHAIR AND DIRECTOR OF GOVERNANCE & LEGAL SERVICES

The Monitoring Officer outlined the process.

This was an opportunity for Members of the Environmental Scrutiny Committee and Policy Review & Performance Scrutiny Committee to scrutinise the 'Infrastructure Services & Alternative Delivery Model' proposals prior to them being presented to Cabinet for approval on 16 July 2015.

The Members would have the opportunity to hear and question the respective Cabinet Members and Officers and the Trade Unions.

5 : PRE DECISION SCRUTINY OF THE CABINET REPORT TITLED
'INFRASTRUCTURE SERVICES - ALTERNATIVE DELIVERY MODEL'
PRIOR TO IT BEING CONSIDERED AT THE CABINET MEETING ON
THURSDAY 16TH JULY.

The Chairperson noted that at the point of publishing the papers Appendices 10 & 11 of the report were not for publication as they contained exempt information of the description in paragraphs 14 and 15 of Part 4 of Schedule 12A of the Local Government Act 1972. This restriction no longer applied, therefore, Appendices 10 & 11 could be considered in the public meeting.

The Chairperson invited the Cabinet Members, Councillor Phil Bale, Leader of the Council; Councillor Graham Hinchey, Cabinet Member for Finance, Corporate Services & Performance; Councillor Bob Derbyshire, Cabinet Member for Environment and Councillor Ramesh Patel, Cabinet Member for Transport, Planning & Sustainability to make a collective statement on the Infrastructure Services – Alternative Delivery Model proposals.

The Chairperson also welcomed Christine Salter, Corporate Director Resources, Tara King, Assistant Director for the Environment and David Lowe, Operational Manager.

Councillor Derbyshire thanked the Task & Finish Group for the inquiry to review the range of available alternative delivery models that could be used by the Council to deliver a range of outdoor front line services. All recommendations in the review had been considered even though the Cabinet had decided to go ahead with the Wholly Owned Arms Length Company and not the Public/Public Joint Venture as recommended by the Task & Finish Group.

The Chairperson thanked Councillor Derbyshire for the statement and invited Tara King to give a short presentation on the draft 'Infrastructure Services & Alternative Delivery Model'.

The Committee received information on the following:

- Organisational Development Programme
- Infrastructure Services Alternative Delivery Models
- Outline Business Case Analysis

- Project Objectives
- Services in Scope
- Gateway Stages
- Research and Union Consultation
- ADM Evaluation Components
- Evaluation Methodology – Transfer of Risk v Maintaining Control
- High Level Financial Analysis
- Summary Base Case
- Current Income Analysis
- Opportunities for Income Growth
- Proposed Strategic Approach
- Establishment of Wholly Owned Company
- Key Next Steps
- Key Risks
- Stakeholder Engagement Plan
- Governance of Board

The Committee was advised that the establishment of a Wholly Owned Company would:

- Retain jobs in the local economy & jobs growth funds
- Maintain the public sector ethos
- Allow all benefits to be retained by Council
- Provide future opportunities for co-ownership with other Council's.

The Chairperson thanked Officers for the presentation and invited the Committee to ask questions.

The Committee was not satisfied that the Evaluation Matrix had been omitted from the original papers and had only been made available on Tuesday 7 July 2015. In response Officer's explained that at the outset it was made clear that the documents were still in draft format and still being worked on. The Committee acknowledged that this was a sensitive process, however it was vital that Committee members be provided with all the information in order to scrutinise at pre-decision level.

The Committee referred to the Outline Business Case, scores for each Service based on the Evaluation Matrix Methodology and asked why the Wholly Owned option was being recommended and not the Public/Public Joint Venture which overall achieved the least scores in contrast to the average third or fourth placement for the Wholly Owned option.

The Committee addressed the High Level Financial Analysis assumptions and asked for further clarification on the reasons for the recommendations.

Officers explained that when analysing the weighting scores for each of the options the management and central overheads were higher for the Public/ Public Joint Venture as supposed to the Wholly Owned model. The fixed and variable charges had been looked at in detail, along with models in place at other Council's and the Wholly Owned Company was the best option to mitigate costs.

Members of the Committee discussed the Evaluation Matrix and asked for further evidence on the overhead costs relating to the Public/ Public Joint Venture. Members discussed the High Level Financial Analysis, along with the efficiency savings and implementation timescale.

Officers confirmed they were aware of the mitigation methods being used and developed at other council's. This preferred option was typically modelled for Cardiff, including a full analysis of charges both fixed and variable being built into the model.

Officers explained that all options had carefully been considered before recommendations were made. One of the main reasons for this option was for the benefit of the Council and currently the establishment of a Teckal was seen as cost effective.

The Committee recognised that the Council was undertaking a dynamic asset review and suggested that unaccommodated office space be rented out. The Committee also asked that a report on the future status of County Hall be brought to the Policy Review and Performance Scrutiny Committee.

Officers explained to the Committee that presently this was the Outline Business Case and further details would be defined in due course. These figures were fluid and could change once further analysis was carried out.

The Committee drew attention to the staffing position and it was clarified that employee terms and conditions would remain the same if the Wholly Owned Company were to proceed.

The staffing position was further discussed with potential for staffing incentives being considered. Working practices at other local authorities had been addressed, with streamlined working practices taking place. Salary assumptions were also considered including those used by Norse a Norfolk County Council company and staff would be paid higher than the minimum wage.

Members of the Committee, who sat on the Task & Finish Group gave examples of practices. Staffing incentives were essential for delivery and alternative delivery models were now seen as vital in this current economic climate.

The Cabinet Member, Councillor Derbyshire drew attention to the proposed budget cuts the Council faced. Year on year the cuts were worsening and demands were being placed on staff to deliver services at reduced costs. Employee's in the directorates were aware of this position and the Council was confident that staff would deliver these alternative working practices.

The Committee asked why not all of the Task & Finish recommendations had been taken into account.

Councillor Derbyshire explained the review carried out by the Task & Finish Group was used as supporting information. The majority of the recommendations had been taken forward and the Council were confident that employees could deliver on this.

Members of the Committee were advised of the Trade Union consultation into the process with evaluation scores changing after their input. Joint working with neighbouring authorities was discussed in relation to policies as supposed to changes to terms and conditions. Control options were discussed, addressing equal partner status or percentage partner status.

The Committee discussed the summary of In-house savings for period 2015/16 to 2017/18. Members noted that for the modified in-house model, the saving assumptions were derived from the savings plans prepared by the operational managers for the 3 year MTFP period commencing in 2015/16, pursuant to the Service Improvement Plans.

Members drew attention to the following sentence outlined in the report:
"The financial projections in the OBC includes an allowance of £250,000 per annum for the costs of non-executive directors and other corporate governance costs such as the audit fee as well as the cost of the Managing and Business Development Directors" Officers confirmed this allowance would support the Board and contribute towards expertise to bring in commercial acumen.

The Committee was provided with information on the opportunities for income growth. A detailed market analysis would be undertaken to identify further where income could be grown.

The project risks were discussed with proposals to mitigate possible risks. A projects team with the right skill set would support this service and would address the immediate challenges the service faced in current budget position.

The Committee discussed the proposed timescales involved with the Final Business Case being taken to Council next year.

The Committee was advised that a Wholly Owned Company would have 1 shareholder, i.e. the Council. This contrasts with other options such as a Public/Public Joint Venture which would have more than one shareholder.

Councillor Derbyshire assured the Committee that all options had been considered in depth when making this judgement.

6 : TRADE UNION VIEWS ON POTENTIAL ALTERNATIVE DELIVERY MODELS FOR INFRASTRUCTURE SERVICES PROVIDED BY THE COUNCIL.

The Chairperson welcomed the Trade union views on potential alternative delivery models for Infrastructure Services provided by the Council.

The Chairperson welcomed the following Trade Unions representatives to the meeting.

- Ken Daniels and Angie Sheils – GMB
- Robert Collins and Martin Roberts – UCATT
- Jim Peats and Thomas Watkins – UNITE
- Jayne Jackson and Ian Titherington – UNISON

Thomas Watkins, UNITE drew attention to the financial pressures experienced by the Council and the impact this was having on service delivery. UNITE recognised the pressures being faced but remained with the view that the in-house model was the preferred view. The benefits of a Wholly Owned Company had been recognised, however there were issues relating to the terms and conditions of staff. The Council had currently undergone a Single Status agreement, which would have very little benefit if the preferred option was adopted. Staff had been briefed that morning on the option of the Wholly Owned Company and very little information had been released on an in-house model. An in-house model was viable and would benefit Council services overall. UNITE were confident staff could deliver an in-house model and this would be supported by additional apprentices and staff training to take the option forward.

Ken Daniels, GMB made reference to the report considered at the Policy Review & Performance Scrutiny Committee to which the Trade Unions had no input and were not allowed to speak. The report was made public at a very late stage and the Trade Unions had had very little time to consider the recommendations. The findings of the Task & Finish Report were referred to and there was no evidence to support the Teckal suggestion. The Trade Unions supported the in-house model, an option which had not been considered in detail. The in-house option must be considered and the Trade Unions were prepared to make suggestions in respect of money saving solutions. A full business case for the in-house model was required in order to compare against these alternative options.

Jayne Jackson, UNISON acknowledged that budget savings in the service were essential. Change was recognised as the way forward as a result of the budget issues faced in these directorates but an in-house option should be further explored and open for scrutiny. There were staffing implications in respect of TUPE transfers and this was not acceptable.

The Chairperson thanked the Trade Unions for their input and invited Members of the Committee to ask questions.

Members of the Committee were disappointed to see that Cabinet Members, Councillors Patel and Derbyshire had left the meeting and not listened to the information provided by the Trade Unions. Trade Union views were not listed in the report and it seemed quite clear there were issues of concern regarding the preferred option.

Jim Peats, UNITE explained that even though there had been some initial involvement with management the Trade Unions had little participation in the scoring or weighting exercises.

Ken Daniels advised that initially the Trade Unions attended meetings to address the weighting score. Following the decision on the agreed weighting score these subsequently changed as a result of further information being required. The Trade Unions had provided information and this had not been taken on board.

Additional time was required following release of the outline business case in order for the Trade Unions to be given sufficient time to provide a full response.

Members of the Committee referred to the Trade Union consultation as part of the Task & Finish Review.

The Committee discussed the possibility of TUPE transfers. It was recognised that support would be provided for an in-house model if it could make the same amount of savings as the preferred option.

7 : CABINET RESPONSE TO THE JOINT SCRUTINY TASK GROUP REPORT TITLED 'INFRASTRUCTURE BUSINESS MODEL & ALTERNATIVE DELIVERY OPTIONS'

The Chairperson invited the Cabinet Member, Councillor Bob Derbyshire, Tara King and David Lowe to make a collective statement on the Cabinet response to the Joint scrutiny task group report.

The Chairperson invited the Assistant Director for the Environment Tara King to deliver a short presentation on the Cabinet response.

The presentation outlined the following:

- 27 recommendations made by the T & F Group
- Cabinet had carefully reviewed the report and the recommendations and
 - 11 recommendations were accepted

- 14 were partly accepted, and
 - 2 were not accepted
- The Committee noted the accepted recommendations
 - The Committee noted the reasons for establishing a WOC

Members of the Committee were under the impression that recommendations 12 -23 were actually rejected. In response the Cabinet Member explained that those recommendations were lengthy and accepted in part.

Committee Members of the Task & Finish Group explained the recommendations were specific and were grateful that the majority of them had been accepted.

RESOLVED: The Committee **AGREED** that the Chairperson writes on behalf of the Committee to the Cabinet Member highlighting the issues raised during the way forward discussion (see attached)