

ANNUAL REPORT ON THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

11TH OCTOBER, 2007

Wards Affected

County-wide

Purpose

To receive a report on the operations and performance of the Strategic Service Delivery Partnership between the Council, Herefordshire Jarvis Services Limited and Owen Williams Limited during the period April 2006 to August 2007.

Key Decision

This is not a Key Decision.

Recommendation

THAT the report be noted.

Reasons

Work carried out for the Council through the Strategic Service Delivery Partnership represents a substantial commitment of corporate resources. Regular review of the salient features of the partnership arrangements provides Cabinet with an opportunity to maintain an overview of developments in this area.

Considerations

1. In July 2005, Cabinet received a report on the operations of the Herefordshire Strategic Service Delivery Partnership (SSDP) to that time. It was agreed at the meeting on July 14 2005 that annual reports would in future be prepared to allow Cabinet to maintain an overview of these strategically important arrangements. For a range of operational and other reasons, no annual report was in fact produced during financial year 2006/07 and so the current report covers the period April 2006 to the end of August 2007.
2. The Herefordshire Strategic Service Delivery Partnership began on September 1 2003 with the award of initial ten-year contracts to Herefordshire Jarvis Services Limited and Owen Williams Limited. Herefordshire Jarvis Services Limited (HJS) is a joint venture between Herefordshire Council and Prismo Limited, a wholly-owned subsidiary of Jarvis plc. The partnership arrangements have their origins in a decision in 2001 to review the operation of Herefordshire Commercial Services, the Council's in-house Direct Service Organisation, and to examine whether the private sector could offer a

Further information on the subject of this report is available from
Dr Peter Cross, Environment Support Manager, on 01432 260099

better service.

3. The value of the Herefordshire Jarvis Services Limited contract is approximately £15 million per annum and the value of the Owen Williams Limited contract is approximately £2 million per annum although the respective contract minimum guaranteed amounts are significantly lower than these sums.
4. The overall objectives of the SSDP are enshrined in nine high level aims and objectives set out in the service delivery agreements. These aims and objectives have been kept under regular review by the Partnership Project Management Team to ensure that they remain pertinent and to ensure that the partnership continues to focus on them.
5. Detailed progress against the objectives is monitored by the Partnership Project Management Team through a suite of key performance indicators (KPIs). In total there were 80 KPIs reported for 2006/07. The position of each of these is assessed as either *satisfactory*, with the indicator exceeding target or within plus or minus 10% of target, or *unsatisfactory*, where the indicator is both below target and outside the 10% tolerance band.
6. The overall position at the end of 2006/07 was that 46 of the 80 indicators were satisfactory, 20 were unsatisfactory and 14 had no data for the period because of insufficient activity for a meaningful quantitative assessment. Overall, the picture was therefore a mixed one with encouraging performance in some areas but with scope for improvement in others.
7. Areas where performance has been positive are: satisfaction with the quality of work of the partnership; defects rating; jobs completed within planned cost, customer satisfaction on completed highways works; customer satisfaction on facilities management; safety; and predictability of design cost for highways works.
8. The principal areas of concern for the partnership as evidenced by the performance indicator information are those relating to time predictability and critical dates met (starting dates). Both of these indicator groups have consistently shown unsatisfactory performance in respect of highways works.
9. Financial year 2007/08 saw the launch of a new key performance indicator framework intended to remove some of the shortcomings of the previous systems. The new framework has indicator groups that focus on quality, cost, time, safety and environment, as these relate directly to the high-level strategic objectives of the partnership. In particular, the new indicator set uses measures that track the performance of the partnership, rather than that of individual partners, that allow for more frequent reporting (monthly rather than quarterly on key indicators) and that minimise duplication by using, wherever possible, information collection arrangements that are already in place for best value performance indicator reporting.
10. At the time of writing the information flows to allow complete reporting under the new performance indicator system are still being refined and the methodologies for the calculation of some individual indicators are being fine-tuned, but the latest position is broadly in line with that described in paras 7 and 8 above.
11. The foregoing comments relate to the overall performance of the partnership. The following paragraphs summarise the highlights of the reporting period for both HJS and Owen Williams Limited.

HJS

12. At the start of the current reporting period, Herefordshire Jarvis Services was positioned within one of the then three core business streams – Rail, Roads and Plant – within Jarvis plc. During the reporting period, a significant reorganisation of the Jarvis business led to the sale in December 2006 of Prismo Road Markings Limited, the vehicle for Jarvis's ownership position in HJS, and the consequent transfer of HJS to the Accommodation Services Group within the parent company. This re-positioning, together with the refocus on just the rail and plant business streams, clearly signalled that the HJS operation was no longer to be seen as a priority for the parent company.
13. Prior to the start of the current reporting period, HJS had prepared a business plan for 2006/07 in consultation with the Council, in line with the requirements of the Shareholders Agreement. This plan envisaged a total turnover of £17.8 million with an operating profit of £1.05 million. This represented a significant improvement in financial performance compared with 2005/06, to be achieved through a range of measures including: merging of business areas within the highways business segment, merging of the cleaning and catering businesses under a single management, reductions in senior management, reductions in administration and other support staff, and further withdrawals from catering.
14. In the event, the turnover for 2006/07 was c£18.2 million, a decrease of £350,000 on 2005/06 but an increase on budget of £400,000. The principal reason for the improvement on budgeted turnover was an increase in spend on highways maintenance.
15. Working with Proudfoot Consulting, an international consultant specialising in improving business processes, the HJS business has achieved significant productivity improvements in a number of business areas, most notably programmed highways work and building cleaning.
16. The decision to withdraw from schools catering during 2006/07, whilst disappointing, resulted in a significant improvement in profitability.
17. The change from SGS to Lloyds as accreditation body for the quality, health and safety, and environment systems proved time-consuming but has resulted in improvements in operations and customer service.
18. The Accident Frequency Rate (an industry standard for measuring health and safety performance) was high at the start of the reporting period, at 1.36. Through training and a variety of other measures the rate has been reduced to 0.26.
19. Without doubt the biggest single challenge for HJS during the reporting period has been the payment of creditors. The local management team has struggled to maintain service delivery with the limited cash allocations it has received from the Jarvis Group Treasury to pay creditors.
20. The 2007/08 HJS business plan envisages that the business will build on the dramatic improvements in financial performance achieved in 2006/07 with key objectives identified as: delivery of final cost reduction targets arising from the consultant review of operations, integration of the highways and building maintenance workstreams, and continuing to build on relationship development activities launched during 2006/07. At the time of writing, progress against the 2007/08 business plan objectives is largely on track.
21. In summary, the partnership with HJS has continued to provide the Council with a very wide range of services during the period under review and has delivered many

thousands of individual jobs to a total value of £24.1million during the period. Whilst there have been issues in some areas of the business, this is only to be expected with such a wide spectrum of activity and with such a large group of staff involved in both the client and partner organisations. The most significant issues have been those occasioned by the cash management policy of HJS's parent.

Owen Williams

22. Owen Williams Limited was acquired by Amey plc in February 2006, just prior to the start of the current reporting period. Other than some minor changes to quality management systems, the acquisition has been largely seamless although wider access to key skills and resources in the Amey group has supported the Herefordshire contract and will become more evident with projects such as the Transportation Asset Management Plan (TAMP).
23. During the 2006/07 financial year, Owen Williams undertook approximately £2.4million worth of work for Herefordshire Council, supporting mainly the Environment, Adult and Community Services, and Resources Directorates. This is well in excess of the guaranteed minimum contract amount under the service delivery agreement. Most of the Property portfolio was delivered from Owen Williams Development Team in Lewes with the exception of certain projects with a 'highways' nature such as the Livestock Market being delivered from Hereford.
24. The main highlights of the year for the Owen Williams element of the SSDP have been the success of the Project Delivery Teams for Victoria Footbridge and City Centre Refurbishments. Victoria Footbridge has won a number of awards to date and is still short listed for the British Construction Industry Awards to be announced in October. The City Centre Refurbishment saw the completion of Eign Gate which achieved Highly Commended by Local Government News and the commencement and completion of High Town which won a bronze award for Considerate Constructor and is currently awaiting Local Government News and BCSC Town Centre Environmental awards.
25. Due to funding issues affecting the Rotherwas Relief Road and the Ross Flood Alleviation Scheme, Owen Williams had to adopt an extremely flexible approach to providing staff resources during the reporting period. Initially, progress on these projects was delayed but was then followed by an intense period of activity once funding was secured. Owen Williams' ability to react to the changing JUP and the support it has given to the client teams with seconded staff has been another highlight for the year although the changing priorities on project delivery have resulted in some projects being delayed.
26. The Rotherwas Relief Road was successfully tendered and commenced on site. The partnership has reacted positively in responding to the recent unforeseen Rotherwas Ribbon ensuring that the essential procedures were followed and providing excellent communication throughout to all parties and press. The Ross Flood Alleviation Scheme has also been progressed with retendering of the contract and completion of the CPO process.

Concluding comment

27. As this report goes to press, there has been a Stock Exchange announcement (3 September 2007) that Jarvis plc has sold its controlling interest in Herefordshire Jarvis Services Limited to Amey plc. The successor company to HJS is named Amey Wye Valley Limited. This transaction, almost on the fourth anniversary of the inception of the original partnership agreements, clearly offers every possibility of a fresh start for the partnership and should allow the best aspects of what has been achieved in the

first four years to be built upon whilst removing the source of a number of the major issues. With Amey Wye Valley Limited and Owen Williams under a common ownership there are clearly a number of possibilities for closer integration with attendant potential enhancements to service delivery and value for money, and these will be actively explored in the coming months.

Financial Implications

None identified.

Risk Management

The risks associated with the operation of the Strategic Service Delivery Partnership are managed through the Council's corporate risk register and the Environment Directorate risk register. Formal processes operate for maintaining these registers up-to-date and regularly reviewed.

Alternative Options

There are no Alternative Options.

Consultees

Partnership Project Management Team

Appendices

None

Background Papers

None identified