

# A G E N D A

## Strategic Monitoring Committee

Date: **Friday, 13th June, 2008**

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Time: **9.30 a.m.**

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Place: **The Council Chamber, Brockington, 35  
Hafod Road, Hereford**

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Notes: **Enclosures: An enclosure for agenda item 5  
is available on the Council's website or on  
request.**

Please note the **time, date** and **venue** of the  
meeting.

*For any further information please contact:*

*Tim Brown, Committee Manager Scrutiny, Tel  
01432 260239  
E-mail [tbrown@herefordshire.gov.uk](mailto:tbrown@herefordshire.gov.uk)*

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**Herefordshire Council**



# AGENDA

## for the Meeting of the Strategic Monitoring Committee

To: Councillor PJ Edwards (Chairman)  
Councillor WLS Bowen (Vice-Chairman)

Councillors PA Andrews, WU Attfield, KG Grumbley, TM James, RI Matthews,  
PM Morgan, AT Oliver, SJ Robertson and JK Swinburne

|   | Pages |
|---|-------|
| <b>1. APOLOGIES FOR ABSENCE</b>   |       |
| To receive apologies for absence.   |       |
| <b>2. DECLARATIONS OF INTEREST</b>  |       |
| To receive any declarations of interest by Members in respect of items on the Agenda.   |       |
| <b>GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS</b>   |       |
| The Council's Members' Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.   |       |
| A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting. |       |
| Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor's interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room.  |       |
| <b>3. MINUTES</b>   |       |
| To approve and sign the Minutes of the meeting held on 28 April 2008.   |       |
| <b>4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY</b>  |       |
| To consider suggestions from members of the public on issues the  |       |
|   | 1 - 8 |

|  |         |
|--|---------|
| Committee could scrutinise in the future.  |         |
| <b>5. REVIEW OF THE SERVICE DELIVERY PARTNERSHIP WITH AMEY WYE VALLEY LIMITED</b>  | 9 - 12  |
| <b>To seek the views of the Committee on the draft recommendations from the Service Delivery Review of the Council's Service Delivery Partnership with Amey.</b>   |         |
| <b>Report for Item 5 - Review of the Service Delivery Partnership with Amey Wye Valley Ltd.</b>  |         |
| Following publication of the agenda but prior to the meeting the attached report referred to at Item 5 – Review of the Service Delivery Partnership had been issued.   |         |
| <b>6. SCRUTINY DEVELOPMENT PLAN 2008/09</b>  | 13 - 22 |
| To consider a Scrutiny Development Plan for 2008/09.   |         |
| <b>7. PROCUREMENT STRATEGY 2008</b>  | 23 - 54 |
| To consider the updated Procurement Strategy.  |         |
| <b>8. BACKWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08</b>   | 55 - 64 |
| To inform the Strategic Monitoring Committee of the Council's proposed Backward Looking Annual Efficiency Statement for 2007/08.   |         |
| <b>9. FINAL REVENUE AND CAPITAL OUTTURN 2007/08</b>  | 65 - 84 |
| To consider the final revenue and capital budget outturn for 2007/08.  |         |
| <b>10. WORK PROGRAMME</b>  | 85 - 88 |
| To consider the Committee's work programme.  |         |
| <b>EXCLUSION OF THE PUBLIC AND PRESS</b>   |         |
| In the opinion of the Proper Officer, the next item will not be, or is likely not to be, open to the public and press at the time it is considered   |         |
| <b>RECOMMENDATION:</b>   |         |
| That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below |         |
| <b>11. OFFICE ACCOMMODATION STRATEGY</b>   | 89 - 96 |
| To consider the findings of the Working Group appointed to consider the office accommodation strategy.   |         |
| <b>This item discloses information relating to the financial or business affairs of any particular person (including the authority holding that information)</b>   |         |

## **PUBLIC INFORMATION**

### **HEREFORDSHIRE COUNCIL'S SCRUTINY COMMITTEES**

The Council has established Scrutiny Committees for Adult Social Care and Strategic Housing, Childrens' Services, Community Services, Environment, and Health. A Strategic Monitoring Committee scrutinises corporate matters and co-ordinates the work of these Committees.

The purpose of the Committees is to ensure the accountability and transparency of the Council's decision making process.

The principal roles of Scrutiny Committees are to

- Help in developing Council policy
- Probe, investigate, test the options and ask the difficult questions before and after decisions are taken
- Look in more detail at areas of concern which may have been raised by the Cabinet itself, by other Councillors or by members of the public
- "call in" decisions - this is a statutory power which gives Scrutiny Committees the right to place a decision on hold pending further scrutiny.
- Review performance of the Council
- Conduct Best Value reviews
- Undertake external scrutiny work engaging partners and the public

Formal meetings of the Committees are held in public and information on your rights to attend meetings and access to information are set out overleaf

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#### **1. Identifying Areas for Scrutiny**

At the meeting the Chairman will ask the members of the public present if they have any issues which they would like the Scrutiny Committee to investigate, however, there will be no discussion of the issue at the time when the matter is raised. Councillors will research the issue and consider whether it should form part of the Committee's work programme when compared with other competing priorities.

Please note that the Committees can only scrutinise items which fall within their specific remit (see below). If a matter is raised which falls within the remit of another Scrutiny Committee then it will be noted and passed on to the relevant Chairman for their consideration.

#### **2. Questions from Members of the Public for Consideration at Scrutiny Committee Meetings and Participation at Meetings**

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(Please note that the Scrutiny Committees are not able to discuss questions relating to personal or confidential issues.)

## **Remits of Herefordshire Council's Scrutiny Committees**

### **Adult Social Care and Strategic Housing**

*Statutory functions for adult social services including:  
Learning Disabilities  
Strategic Housing  
Supporting People  
Public Health*

### **Children's Services**

*Provision of services relating to the well-being of children including education, health and social care.*

### **Community Services Scrutiny Committee**

*Libraries  
Cultural Services including heritage and tourism  
Leisure Services  
Parks and Countryside  
Community Safety  
Economic Development  
Youth Services*

### **Health**

*Planning, provision and operation of health services affecting the area  
Health Improvement  
Services provided by the NHS*

### **Environment**

*Environmental Issues  
Highways and Transportation*

### **Strategic Monitoring Committee**

*Corporate Strategy and Finance  
Resources  
Corporate and Customer Services  
**Human Resources***

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## **COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL**

**BROCKINGTON, 35 HAFOD ROAD, HEREFORD.**

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

**MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday, 28 April 2008 at 9.30 a.m.**

**Present:** Councillor PJ Edwards (Chairman)  
Councillor WLS Bowen (Vice Chairman)

Councillors: PA Andrews, WU Attfield, KG Grumbley, TM James,  
RI Matthews, AT Oliver, SJ Robertson and JK Swinburne

**In attendance:** Councillors BA Durkin and JP French (Cabinet Member –Corporate and Customer Services and Human Resources)

**96. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor RH Smith. Apologies were also received from Councillors H Bramer (Cabinet Member – Resources) and RJ Phillips (Leader of the Council).

The Chairman expressed his disappointment that two Members of the Committee had had appointments arranged for them with the Leadership Centre that clashed with the Committee's meeting.

**97. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**98. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 20 March 2008 be confirmed as a correct record and signed by the Chairman.

**99. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY**

There were no suggestions from members of the public.

**100. INTEGRATED PERFORMANCE AND FINANCE REPORT**

The Committee considered the Council's performance for the operating year 2007-08 against the Annual Operating Plan and national performance indicators used externally to measure the performance of the Council; partnership performance in delivering the Local Public Service Agreement, Local Area Agreement and Herefordshire Community Strategy; and performance against revenue and capital budgets and corporate risks for the period to 29 February 2008.

**Performance against Performance Indicators**

The Corporate Policy and Research Manager (CPRM) presented this section of the report. He said that much of the end of year data, particularly in respect of the best

value performance indicators, had yet to be reported. This was necessarily the case because the data relied on the closure of accounts or the collation of information from external sources. However, it was important for the Committee to be informed of the expected outcome.

Thirty-one of the 111 Council led indicators from the Annual Operating Plan were currently marked red (missed or unlikely to achieve target), compared to 25 indicators at the end of January.

The largest number of indicators marked red (15) remained those in respect of the Council priority of "maximising the health, safety, economic well being achievements and contribution of every child". Seven of these – related to teenage lifestyles and measured by a periodic survey - had been marked red because of a failure to establish baselines and targets, but action had now been taken to ensure that proxy indicators would be in place to measure progress during 2008-09.

However, taking the indicators for children's services as a whole, the picture was positive, with performance against most of the national indicators showing improvement compared with the previous year. Outcomes from youth work remained a concern; so too, as previously reported, did the time taken to carry out assessments following referrals of children in need.

Five indicators in adult social care were newly marked as red. Current data collection mechanisms continued to make it difficult to predict performance in this service area, underlined by the fact that these five indicators had gone straight from green (on course to achieve target) to red. Work was continuing to confirm the data for 2007-08. Four of these indicators were in respect of helping different groups of vulnerable people to live at home, by means of non-intensive care. There had been a planned in-year shift to do more for the most vulnerable and, particularly, to provide intensive home care for people who would benefit from this rather than, inappropriately, go into residential care. This was reflected in the improvement in performance as regards intensive home care and the reduction in residential care.

In the course of discussion the following principal points were made:

- Asked whether the indicators allowed the Council to measure the success of preventative measures, the CPRM replied that there was ample evidence nationally that well-conceived preventative measures did have an impact. It wasn't always easy, without special evaluations, to measure the precise contribution made by particular measures, but the outcomes were measurable through a number of the current indicators, such as those in respect of the proportions of people in residential and nursing home care. In respect of both children's and adults' social care, the service plans contained a range of indicators that enabled the success of preventative measures to be assessed.
- That there were a considerable number of indicators marked red. It was asked whether the Council could be more selective in deciding what indicators it used and perhaps set a reduced number of indicators that gave a stronger measure of improving outcomes for people and upon which it would be possible to focus more keenly.

The CPRM replied that the new corporate plan provided greater focus and included significantly fewer indicators. There was a particular emphasis on the Council's five priorities, as set out in the plan, together with a selection of other crucial indicators, including those proposed for the new Local Area Agreement.

He added in response to a further point that a corporate view had been taken that where baselines or targets had not been set for an indicator the targets

should be recorded as having been missed. This had proved effective in securing remedial action

- It was observed that deteriorating performance against a number of indicators relating to crime appeared to be contrary to the national trend. The CPRM said that that was indeed the case, although crime in the county remained comparatively low.
- A question was asked about the indicators relating to child protection, how realistic it was to set such targets and how these could be put in context to get a clear idea of outcomes and what was being achieved. The CPRM said that there were national standards and it was realistic to set targets for this area of work. The Legal Practice Manager commented on the role that the legal service played in this area of work. He highlighted that changes in the way in which the Courts would now administer the system would have financial implications for the Council both in terms of additional work that would need to be carried out and the increased fees payable to the Court.

It was requested that representatives of the Children and Young People's Directorate should be invited when performance against these indicators was next considered.

- In response to a question about the extent to which the Council rather than its partners could influence achievement of targets for some indicators, the CPRM emphasised that the Council was accountable for performance against the targets that it and its partners agreed should be in the Local Area Agreement. This was the case even in respect of those where the direct responsibility for the matter in question, and the ability to take most of the necessary actions, rested with another organisation.
- The Chief Executive was asked to comment on the Direction of Travel, Members noting that whilst 64% of indicators were on course to improve on the last year, 27% were predicted to be worse than last year. He said that performance needed to improve and suggested that a way to make the monitoring of performance more meaningful and to gauge progress would be to examine progress against service improvement plans in conjunction with the performance data.
- The basis for Best Value Performance Indicator 178: the percentage of the total length of rights of way in the local authority area that are easy to use by the general public was queried. It was confirmed in reply that this indicator had been deleted from the new national data set, which had been in operation from the beginning of the month. A key point was that the Council and its partners could choose to focus resources on specific matters based on their assessment of local needs, the wishes of the public and political priorities, rather than attempting to seek success against all the indicators.

### **Revenue and Capital Budgets and Corporate Risks**

The Head of Financial Services (HFS) presented this section of the report.

He highlighted the following points:

- The estimated overspend on the revenue budget as at the end of February 2008 was £578,000, 0.5% of the revenue budget.

- The Council's claim under the Bellwin Scheme for flood related damage had been successful.
- The adult social care projected outturn had reduced by some £700,000 to £3.1 million. Since October the number of nursing and residential care packages had reduced by 34.
- Negotiations with HALO Ltd regarding costs for the implementation of single status and job evaluation had concluded. The final position would result in an overspend of £160,000 for 2007/08 and a further £67,000 relating to backdated amounts.
- The outcome of the Article 10 audit by Government Office of the West Midlands would not be known until 2008/09 and any grant clawback would be applied in the next financial year.
- The risk associated with current waste collection percentages that could mean an additional cost of £300,000, a sum not reflected in the projected outturn.

In the ensuing discussion the following principal points were made:

- Asked about the projected underspend of £600,000 on the waste disposal budget the HFS reported that underspends in previous years had been transferred to reserves. He noted that variations to the waste disposal contract would involve increased cost to the Council and account had been taken of this in the financial planning.
- It was suggested that a reduction of 34 in the number of nursing and residential care packages as reflected in the adult social care budget was substantial. It was asked whether the reduction was a financial measure and concern expressed as to whether this had had an adverse effect on service users. In reply it was stated that those who were eligible for services in accordance with the Council's eligibility criteria received care accordingly. Whilst acknowledging the Council's thresholds for eligibility for services were locally determined the issue of thresholds was a matter of national debate.
- It was noted with regard to risk CR 5: the inability to provide critical services due to the failure of the ICT Networks that the Council was reviewing the Community Network Contract and an update on the outcome was requested.
- In response to a question about progress on the replacement of the current client systems used within both Adult Social Care and the Children and Young People's Directorate the Head of Financial Services advised that the project was on target for the revised completion date of 1 November 2008.

**RESOLVED: That note be taken of the issues raised during discussion.**

#### **101. OFFICE ACCOMMODATION STRATEGY OPTIONS APPRAISAL**

The Committee was invited to form a working group to consider the briefing paper on office accommodation strategy options and comment on a proposed process (including joint working with PCT colleagues) and timetable for developing an integrated office accommodation strategy for the Council and Primary Care Trust.

The Director of Resources presented the report. She emphasised the complexity of the rationalisation of accommodation and the need for support across the Council to deliver the project, which was fully reflected in the draft Corporate Plan. She outlined the key milestones and timetable as set out in appendix 1 to the report, noting that after the proposed Working Group reported back to the Committee in June, the next stage envisaged presenting a draft accommodation and business case to the Committee in September 2008.

The status quo for the Council's office accommodation was not an option. Rationalising accommodation would improve productivity. It would also release revenue funding currently tied up in maintaining an historic portfolio of buildings that was not fit for purpose. Significant resources could potentially be released, enabling the Council to repay some of its debt and fund what were currently some of its more aspirational objectives.

Timing was important. Plough Lane was leased until December 2010 and the timetable for the development of the Edgar Street Grid also had implications. It would be desirable to avoid having to develop an interim solution. The aim was to have a solution in place by September 2010.

In the course of discussion the following principal points were made:

- That the timetable for completing the project appeared to be a very tough challenge.
- It was noted that the company owning Plough Lane was being taken over. It was asked whether Plough Lane was still the preferred site. If it was, it was essential that clarification was obtained from the new owners at the earliest opportunity as to whether or not they were prepared to sell. In reply the Head of Asset Management said that it would be necessary to establish what the new owners were prepared to offer.
- A question was asked about the assessment of the amount of accommodation required, taking account of the scope for flexible working. In response to this and concerns that the Council did not yet appear to have the necessary information to hand the Director of Resources replied that discussions had taken place with Directors about their requirements and information was available on the number of staff to be accommodated and their requirements.
- That it was important that there was sufficient flexibility within the new accommodation to allow the Council to respond to changing circumstances in the years ahead.
- Whilst the formation of a Working Group was supported it was requested that Members of the Committee as a whole needed to be kept fully informed.
- The Chief Executive requested that the Working Group sought to avoid overcomplication.

The Committee did not formally record a view at this stage on the process and timetable.

**RESOLVED:**

**That (a) a Working Group comprising Councillors PA Andrews, WLS Bowen and RH Smith with Councillor PJ Edwards as an observer**

be established to consider the briefing paper on office accommodation strategy options as appended to the report, with the PCT Board also being invited to send a representative; and

- (b) the Working Group be requested to present their findings to the Committee on 13 June 2008.

#### 102. REVIEW OF ICT SERVICES

Further to the decision take on 10 March on setting its work programme the Committee considered the scoping statement for a further review of ICT Services.

##### **RESOLVED:**

- That (a) the scoping statement as appended to the report be approved;
- (b) the Review Group comprise Councillors WLS Bowen, TM James, PD Price and AM Toon; and
- (c) Councillor WLS Bowen be appointed Chairman of the Review Group.

#### 103. DEFINITION OF SENIOR CITIZENS IN COUNCIL POLICIES

The Committee was asked to note the response to a request from a member of the public that the Committee examine whether there was a lack of consistency in the Council's definition of senior citizens in its policy documents.

The Chairman reported that the member of the public who had submitted the question had expressed dissatisfaction with the report. As Chairman he was aware that requests for information had been made but limited information had been forthcoming in response, as reflected in the report. He proposed that if further information was forthcoming a further report would be made.

The Legal Practice Manager clarified that in terms of age discrimination and service provision where it was specified that a service was available from the statutory retirement age a woman would be eligible at 60 and a man at 65. If this was not specified there was discretion to equalise eligibility at 60 or at 65.

It was advised that the task of establishing eligibility criteria for all services was potentially huge and where the age eligibility criteria were statutory the Council was required to abide by them. On this basis the Chief Executive said that he would be reluctant to commit further officer resource to the issue.

**RESOLVED: That should any further information be forthcoming a further report be made to the Committee.**

#### 104. SCRUTINY ACTIVITY REPORT

The Committee noted the work being undertaken by the scrutiny committees.



**105. WORK PROGRAMMES**

The Committee considered the Scrutiny Committees' current and future work programmes.

**RESOLVED: That the current Work Programmes serve as a basis for further development.**

The meeting ended at 11.30 a.m.

**CHAIRMAN**



## REVIEW OF THE SERVICE DELIVERY PARTNERSHIP WITH AMEY WYE VALLEY LIMITED

**Report By: Director of Environment and Culture**

### Wards Affected

County-wide

### Purpose

To seek the views of the Committee on the draft recommendations from the Service Delivery Review of the Council's Service Delivery Partnership with Amey.

### Background

1. In November 2007 a review was commenced to examine ways of improving the Council's Service Delivery Partnership arrangements with AMEY (incorporating Amey Wye Valley and Amey Consulting (formerly Owen Williams). The review was carried out jointly with AMEY with the overall aim: to review the Council's approach to delivering services through the existing Service Delivery Partnership and identify opportunities to enable the Council to deliver a better service for less cost.
2. Two key objectives were set for the review. These are:
  - To review alternative forms of delivery with a view to securing annual savings to the Council of a minimum of £1 million; and,
  - To improve current quality and level of service.
3. The scope of the review has encompassed all elements of the scope of the existing Service Delivery Partnership and the results of the review are now in draft form.
4. Any changes to the current arrangements arising from the review would be by agreement between Amey and the Council and would not require a re-procurement process.
5. A Project Board has been chaired by the Director of Environment and Culture and a Project Team was led by the Acting Head of Highways and Transportation. This drew together the necessary expertise and knowledge from across the existing partnership and included representation from all the main service areas within the Council that could potentially be affected by the outcome of the review. Membership of the Board included the Director of Environment and Culture, Director of Resources and Director of Regeneration.
6. The review has been undertaken in two phases. These are as follows:
  - a. Phase 1: review of a wide range of options against key criteria
  - b. Phase 2: detailed review of remaining options selected from Phase 1

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Further information on the subject of this report is available from  
Richard Ball, Acting Head of Highways and Transportation on 01432 260965

7. It is anticipated that, subject to approval by Cabinet, formal negotiations will be undertaken with Amey to secure improvements to the partnership and make appropriate consequential revisions to contractual arrangements.

**Involving Staff and Stakeholders**

8. The review has sought to involve staff and stakeholders within the Council to provide appropriate opportunities for all views to be considered. The Board and the Project Team included representation from all relevant Directorates and Services. In addition, considerable efforts have been made to ensure all staff that could potentially be affected by the adoption of any new arrangements have been kept informed of progress with the review and had opportunity to express their views.
9. A communications strategy and plan was developed with the Communications Team to coordinate and ensure information was made available to staff at the appropriate times during the review in a form that was understandable and accessible. Activities in this regard have included regular newsletters, Service Delivery Review Online publication on the Council's Intranet and face-to-face briefings.
10. A Staff Focus Group was also been established to provide a further opportunity for staff to be involved in the review. Representatives from this group were invited to attend Project Board and Project Team meetings and to provide challenge at key stages in the review process.
11. In addition to these opportunities to contribute to the review, a series of independently facilitated sessions were held with staff within Highways & Transportation, Parks and Countryside and Asset Management and Property Services. These sessions sought views and ideas regarding what is going well, what is not going so well and what could be improved and how. The output from these sessions was very useful in highlighting the issues that need to be addressed and informed the review.

**Phase 1 – Shortlisting**

12. During phase 1 a long list of delivery options was developed which identified 18 possible alternatives. These options were defined and described by the project team to enable an assessment to be made of whether the options were likely to deliver the objectives set for the review.
13. In order to assess the long list of options to go forward to more detailed review in phase 2, scoring criteria were developed to filter out options that were unlikely to meet the objectives of the review or those options that would not be deliverable.
14. The assessment was carried out in three stages and subjected to challenge by the Staff Focus Group. All options were initially scored by a sub-group of the project team and a detailed rationale presented to explain their approach to scoring each individual criterion. The project team reviewed this draft assessment and recommended revisions for consideration by the Board.
15. The Staff Focus Group were then given the opportunity to review the provisional shortlist. Whilst the group did not propose any further changes to the scoring of the options, they did ask that an alternative approach to the delivery, based on the approach adopted by Gloucestershire County Council. This has adopted a strategic

approach and established a single delivery organisation without staff transfer taking place and staff remaining employees of their original employer.

16. The shortlist taken forward for more detailed analysis in phase 2 of the review was:
- **Improved Business as Usual** which would look to improve the current agreement with extra bonus and penalty payments;
  - **Managing Agent Model** that would shift the partnership interface to give greater responsibility for planning to Amey; and,
  - **Integrated Services Model** with services delivered by an integrated organisation staffed by employees of both Amey and Herefordshire Council and managed by a single manager reporting to both organisations.

### **Phase 2 – Detailed Analysis and Recommendations**

17. Phase 2 of the review has considered the shortlisted options in more detail to identify a potential model for future implementation in Herefordshire. A draft phase 2 report has been produced and is enclosed separately for Members of the Committee to comment and is available to members of the public on request. The report is intended to form the basis of a report to Cabinet in July to inform Cabinet of the outcome of the review and seek approval to proceed to formal negotiations with Amey regarding changes to the partnership and contractual arrangements.
18. In January 2008 the Audit Commission published the report “For better or worse: Value for money in strategic service-delivery partnerships.” This was a timely publication for the review and provides a framework to help councils manage and assess the performance of Strategic Service Partnerships. It divides the benefits that can be derived from strategic partnerships into ‘core’ and ‘additional’ benefits and identifies the factors that are important in delivering each. The Phase 2 assessment has drawn heavily on the direction provided by the Audit Commission report. The draft report has therefore been structured into sections that examine the extent to which the different model options could contribute to achieving the benefits that the Audit Commission identified can be derived from strategic partnerships.
19. Analysis of the managing agent and integrated service models has been based on analysis of reference sites: Bedfordshire for the managing agent model and Gloucestershire for the integrated services model.
20. The draft Phase 2 document presents the results of the detailed assessment of the shortlisted model options. It identifies the significant differences between the three main models in terms of the extent to which they would meet the objectives of the review. In drawing together this analysis the report describes the principles that it is recommended should underpin a Herefordshire model of service delivery drawing together the best aspects of the model options. It is not intended to be the mandate for negotiations and does not disclose anything regarding the Council's point of view that would hamper or restrict the ability of future negotiations to deliver the best possible deal for Herefordshire.
21. The overall conclusions are summarised within the Executive Summary of the report highlighting the elements that should form part of a Herefordshire model of service delivery that would be most likely to achieve the aims of the review. In summary the key elements are:
- a. A strategic interface between organisations offers the greatest opportunity for

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Further information on the subject of this report is available from  
Richard Ball, Acting Head of Highways and Transportation on 01432 260965

savings. An integrated service delivery organisation implemented using either the managing agent or integrated services model is likely to be the most efficient allowing better planning and a greater opportunity to identify synergies between services.

- b. The two alternative models for delivering the integrated service organisation should form a suitable basis for negotiation.
  - c. Improved performance management arrangements should be adopted drawing the best from all models.
  - d. Improvements should be made to service user input and best practice sharing through adoption of a Watchman scheme to improve links with local communities, drawn from the Managing Agent reference site.
22. The Committee is invited to make comments on the draft report from the review and highlight any issues that they would wish to bring to the attention of Cabinet when considering the way forward.
23. Any comments from the Environment Scrutiny Committee who are to receive an update at their meeting on 9 June will be reported at the meeting.

## **RECOMMENDATION**

**THAT the comments of the Committee in relation to the draft Service Delivery Review Phase 2 report be noted and taken into account in finalising the report for consideration by Cabinet.**

## **BACKGROUND PAPERS**

- Service Delivery Review - Draft Phase 2 Report - Review of Herefordshire Council's Strategic Partnership with Amey

## **Phase 2 Report**

### **Service Delivery Review**

# **Review of Herefordshire Council's Strategic Partnership Agreement with Amey**

## **Definition of the Desired Herefordshire Model**

### **DRAFT FOR ISSUE TO STRATEGIC MONITORING COMMITTEE**

# Table of Contents

|   |           |
|---|-----------|
| EXECUTIVE SUMMARY .....                     | 3         |
| OVERVIEW .....                              | 8         |
| CONCLUSIONS – THE HEREFORDSHIRE MODEL ..... | 20        |
| FINDINGS .....                              | 22        |
| POTENTIAL STAFF IMPLICATIONS .....          | 26        |
| FINANCIAL SAVINGS .....                     | 31        |
| SERVICE IMPROVEMENTS .....                  | 35        |
| INVESTMENT IN INFRASTRUCTURE .....          | 38        |
| TRANSFER OF LEARNING .....                  | 39        |
| RESPONSIVENESS .....                        | 40        |
| PERFORMANCE MANAGEMENT .....                | 42        |
| SHARING FINANCIAL BENEFITS .....            | 46        |
| <b>APPENDICES .....</b>                     | <b>47</b> |



# Executive Summary

## Project Aims and Objectives

- 1 The aim of the project is to review the Council's approach to delivering services through the existing Service Delivery Partnership and to identify a preferred option to ensure that the Council can deliver a better service for less cost.
- 2 The review was commissioned to examine alternative forms of service delivery with a view to identifying an approach for the future that would meet the objectives of:
  - 2.a securing annual savings to the Council of a minimum of £1 million; and,
  - 2.b improving current quality and level of service
- 3 The review has been carried out in two phases. The first phase aimed to look at as wide a range of options as possible. It identified a long list of possible approaches to service delivery and a set of criteria which were used to shortlist a number of options. The shortlist contained those options that the project team, the project board and the staff focus group considered had the potential to meet the overall objectives of the review. Phase 2 of the review has considered the shortlisted options in more detail to identify a potential model for future implementation in Herefordshire.
- 4 It was recognised by the project board that the renegotiation would need to cover the whole contract because of anomalies that exist in the current arrangements.

## Models Included in the Analysis

- 5 Eighteen options were identified in a long list of options. These were then tested against a set of criteria which reduced the shortlist of, essentially, two options. A third alternative has been identified by the staff focus group tasked with challenging the shortlisting process. This third option operates in a similar way to the managing agent model but involves the secondment of both Council and Amey staff into a new organisation. This Phase 2 report, therefore, examines the potential future partnership between Herefordshire Council and Amey through the analysis of the following models (which are described in more detail in Appendix B):
  - 5.a Improved business as usual (improved BAU) which would look to improving the current agreement with extra bonus and penalty payments
  - 5.b Implementing a managing agent contract (managing agent) that would shift the partnership interface to give a greater responsibility for planning to Amey.
  - 5.c Implementing a managing agent type model but with services delivered by an organisation staffed by employees of both Amey and Herefordshire Council and managed by a single manager reporting to both organisations (integrated services)

- 6 Analysis of the managing agent and integrated service models has been based on analysis of reference sites: Bedfordshire for the managing agent model and Gloucestershire for the integrated services model.

### **Financial Savings**

- 7 The analysis included broad estimation of possible savings that could arise in relation to the different models being applied. The potential savings estimated for each model is shown in the following table. Securing the savings identified under each model is not guaranteed. Whilst care has been taken in developing these estimates, delivering these savings would be subject to the successful implementation of an appropriate model, the detail of negotiations with Amey regarding the changes to be implemented and good partnership working. If these savings can be achieved, this would also provide the Council with the opportunity to consider reinvesting savings that are released to further improve services.

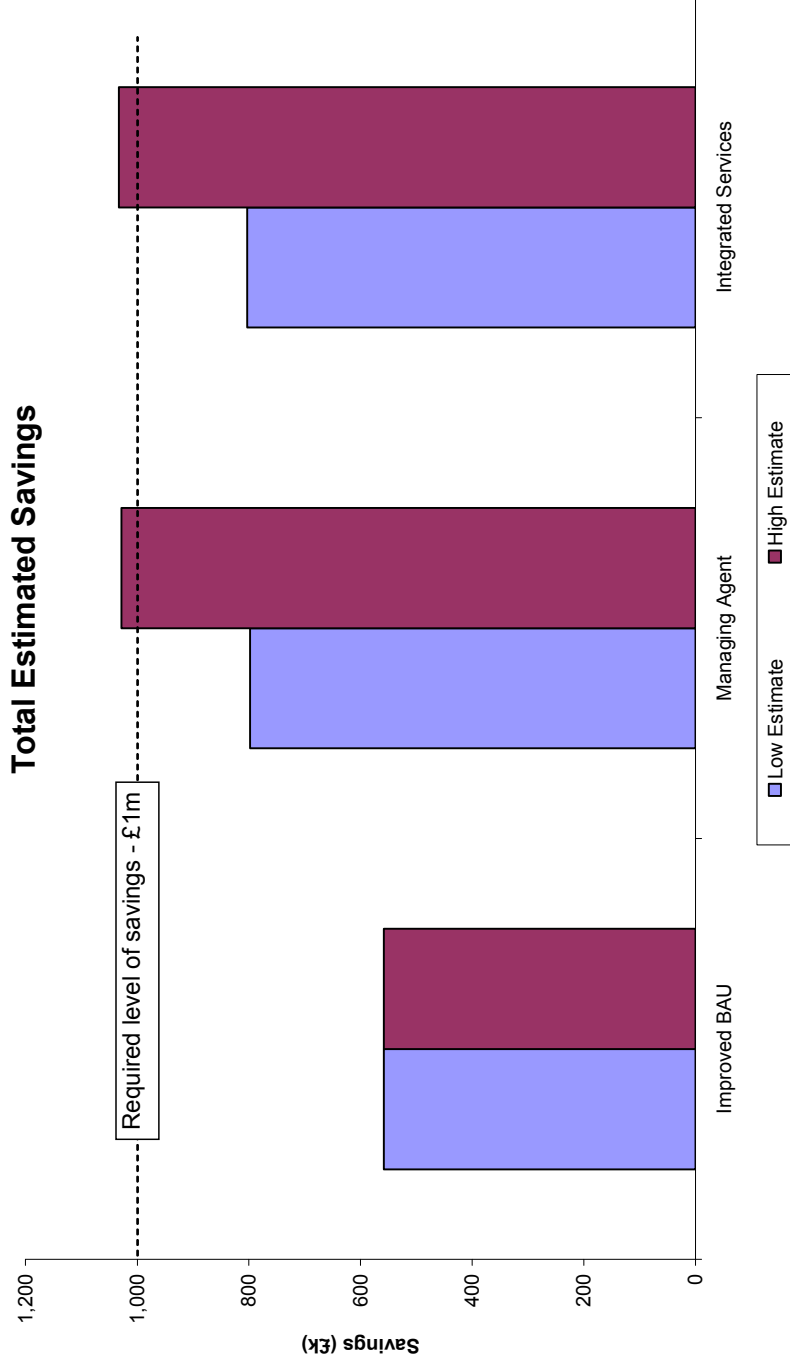


Figure 1 Estimated Savings For Each Model

## Conclusions – The Herefordshire Model

### Introduction

- 8 This section describes the principles that it is recommended should underpin the Herefordshire model that could be put in place through negotiation with Amey. It is not intended to be the mandate for negotiations and does not disclose anything about the council's point of view that would hamper or restrict the negotiating team's ability to deliver the best possible deal for Herefordshire.
- 9 The features that we would like to see in Herefordshire model are described below. These features have been identified by analysing three alternative partnership models: improved business as usual, the managing agent model used by Bedfordshire County Council and Amey and the integrated service model used by Gloucestershire County Council and WS Atkins.

### Fundamentals

- 10 It is essential that key people in both organisations support the model that is ultimately adopted. For the partnership model to be successful it is important to ensure:
  - 10.a Senior management commitment to partnership working within each service area;
  - 10.b It meets the contractor's desire to have a broad partnership delivering a wide range of services to the council; and,
  - 10.c Is the most efficient and effective way to deliver services and improve performance.
- 11 The contract underlying the partnership needs to be well constructed and complete.

### Organisational interface

- 12 Our analysis suggests that having a strategic interface between organisations offers the greatest opportunity for savings. An integrated service delivery organisation implemented in either the managing agent or integrated services model appears to be the most efficient allowing better planning and a greater opportunity to identify synergies between services.

### Staffing model

- 13 There are two alternative models for delivering the integrated service organisation that should form a suitable basis for negotiation:
  - 13.a The service delivery organisation is staffed by Amey employees. This is the least risk approach. It is a proven model that will minimise the risk that the cultural problems (identified by the Audit Commission) will prevent the partnership delivering additional benefits.
  - 13.b The service delivery organisation is staffed by both Amey and Herefordshire Council employees working in mixed teams. There is a risk that mixed teams work less effectively if a common culture cannot be developed. This risk is, perhaps, greatest in services

where the current relationship between the two organisations is poor. However, the approach would reduce the disruption to staff, could provide some small additional savings and could allow the new service delivery model to be put in place more quickly.

- 14 The partnership will need to build a culture based on trusting relationships between individuals. On the one hand, the single employer model simplifies the organisational development that will be required. On the other hand, mixed teams could bring different perspectives from private and public sector that could enhance service delivery.
- 15 The choice of staffing model, therefore, comes down to weighing up the advantages of each approach together with a realistic assessment of whether mixed teams can be made to work in Herefordshire.

#### **Performance management**

- 16 Ideally the performance management system should
  - 16.a Link into the council's performance management framework
  - 16.b Have a range of performance measures designed to demonstrate the impact of service delivery on outcomes
  - 16.c Link both contract profitability and contract extension to performance
  - 16.d Include an effective client side organisation to ensure efficiency and value for money
- 17 Partnerships rely on appropriate behaviours on both sides. In addition to a strong client team to manage the contractor we need a method of identifying and correcting poor partnership behaviours within the council.
- 18 The contract must allow the service delivery organisation to be flexible in its approach to new or extraordinary circumstances such as varied as, for example, changing central government policy or unexpected flooding.

#### **Service user input and best practice**

- 19 The watchman scheme improves links with local communities and offers a way for service users to influence delivery and should, therefore, be part of the Herefordshire model.

#### **Management structure**

- 20 Whether to have a combined or separate Contractor general manager and Council service manager role should be judged on whether the benefits of having one person accountable for both service performance and profitability outweigh the risks of overloading the job.

# Overview

## Project Aims and Objectives

- 21 The aim of the project is to review the Council's approach to delivering services through the existing Service Delivery Partnership and to identify a preferred option to ensure that the Council can deliver a better service for less cost.
- 22 The review was commissioned to examine alternative forms of service delivery with a view to identifying an approach for the future that would meet the objectives of:
  - 22.a securing annual savings to the Council of a minimum of £1 million; and,
  - 22.b improving current quality and level of service
- 23 The review has been carried out in two phases. The first phase identified a long list of possible approaches to service delivery that were examined at a strategic level to produce a shortlist of options that if was considered to have the potential to meet the overall objectives of the review. Phase 2 of the review has considered the shortlisted options in more detail to identify a potential model for future implementation in Herefordshire.
- 24 It was recognised by the project board that the renegotiation would need to cover the whole contract because of anomalies that exist in the current arrangements.

## Purpose of this Document

- 25 This document presents the results of the Phase 2 detailed assessment of the shortlisted model options. It identifies the significant differences between the three main models in terms of the extent to which they would meet the objectives of the review. In drawing together this analysis the report identifies key recommendations regarding the development of a Herefordshire model of service delivery drawing together the best aspects of the model options. It is intended that the report will be used to develop recommendations to Cabinet on the future approach to service delivery in Herefordshire.
- 26 This is a technical report exploring the potential future direction for Herefordshire Council's strategic partnership with Amey. It has been prepared with input from Amey as part of a joint review. The joint review also included extensive consultation with stakeholders within the Council.

## Overview of the Project

- 27 This project is a review of Herefordshire Council's strategic partnership with Amey. The partnership delivers services in a range of business areas:

- Reactive and routine highways maintenance
- Programmed highways works
- Winter maintenance
- Grounds maintenance
- Street cleansing
- Toilet cleansing
- Recycling
- Street lighting
- Courier
- Printing
- Vehicle maintenance
- Fleet management
- Sign manufacture
- Building maintenance
- Building cleaning
- Event catering
- Emergency response activities
- Engineering services for policy development, design and development

28 Further details of services included in the current contract are listed in Appendix A.

29 The review is being conducted in three phases:

29.a Phase 1 sought to identify a wide range of potential alternative approaches<sup>1</sup> and a set of criteria<sup>2</sup> against which they could be judged. If it was considered that the option could not meet any one of the criterion then it was not shortlisted.

29.b Phase 2 (the current phase) has taken these shortlisted options and defined the model that, it is considered, is best suited to Herefordshire: the recommended Herefordshire Model. This recommended model is described in the conclusions of this report.

29.c Phase 3 will provide support to the negotiations aimed at securing agreement with Amey to implement the recommended model.

30 Eighteen options were identified in a long list of options. These were then tested against a set of criteria which reduced the shortlist of, essentially, two options. A third alternative has been identified by the staff focus group tasked with challenging the shortlisting process. This third option operates in a similar way to the managing agent model but involves the secondment of both Council and Amey staff into a new organisation. This report, therefore, examines the potential future partnership between Herefordshire Council and Amey through the

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<sup>1</sup> Project file: SDR Phase 1 Option List v2 0

<sup>2</sup> Project file: Service Delivery Review Phase 1 Options Criteria version 1.2 29-11-07

- analysis of the following models (which are described in more detail in Appendix B):
- 30.a Improved business as usual (improved BAU) which would look to improving the current agreement with extra bonus and penalty payments
  - 30.b Implementing a managing agent contract (managing agent) that would shift the partnership interface to give a greater responsibility for planning to Amey.
  - 30.c Implementing a managing agent type model but with services delivered by an organisation staffed by employees of both Amey and Herefordshire Council and managed by a single manager reporting to both organisations (integrated services)
- 31 The original intention was to select a shortlist, examine the options and choose between them. However, in examining the long list of options it became clear that there were certain aspects of a number of options that were attractive even in those that would not on their own meet the overall objectives of the review and were, therefore, rejected. These elements have therefore been taken into account in developing the Herefordshire model.
- 32 The most significant decisions to be made in defining the future Herefordshire partnership model are represented by the three models: improved BAU, managing agent and integrated services. The two main issues for decision are:
- 32.a Whether to set the partnership interface at a strategic or tactical level
  - 32.b Whether to have an organisation of mixed Herefordshire Council and Amey staff or transfer the relevant service delivery staff to Amey
- 33 The attractive features identified in other models could be incorporated into any of the three main models.
- 34 The best model for Herefordshire may also include features from across all the options identified in phase 1 such as:
- 34.a From Bedfordshire - the managing agent element, the watchman-in-chief role, the thin client performance managing the contractor, stakeholder engagement by the contractor (not a function of the contract but of approach), the focus on outcomes, the network board
  - 34.b From North Lanarkshire - the Council focus on the joint venture's profitability (and its contribution to resources) and as a tool for retaining/increasing local employment opportunities
  - 34.c From Cumbria - local area partnerships informing operational decisions
- 35 Crucially, the model and features chosen as the preferred model must still deliver the original aim of the project.
- 36 This diagram below shows another view of the difference between the three models schematically. Generally in the improved BAU model the Council takes responsibility for converting its strategic aims into plans, programmes of work and tracking progress of jobs. One area where the current agreement could be improved is in agreeing a better set of performance indicators to be agreed with Amey.
- 37 The managing agent model brings the interface up a level and allows the Council to concentrate on describing its aims in terms of



outcomes. Performance management of the partnership will be based on improving outcomes indicated by a range of strategic and operational performance measures.

- 38 The integrated services model in essence operates at the same strategic interface level as the managing agent model but establishes a service delivery organisation staffed by a mixture of Amey and Herefordshire Council staff. The management of the service would also be integrated with the Council's service manager role being combined with the Amey general manager role. In this model the single manager would be responsible to Amey for the profitability of the contract and to the council for operational performance.

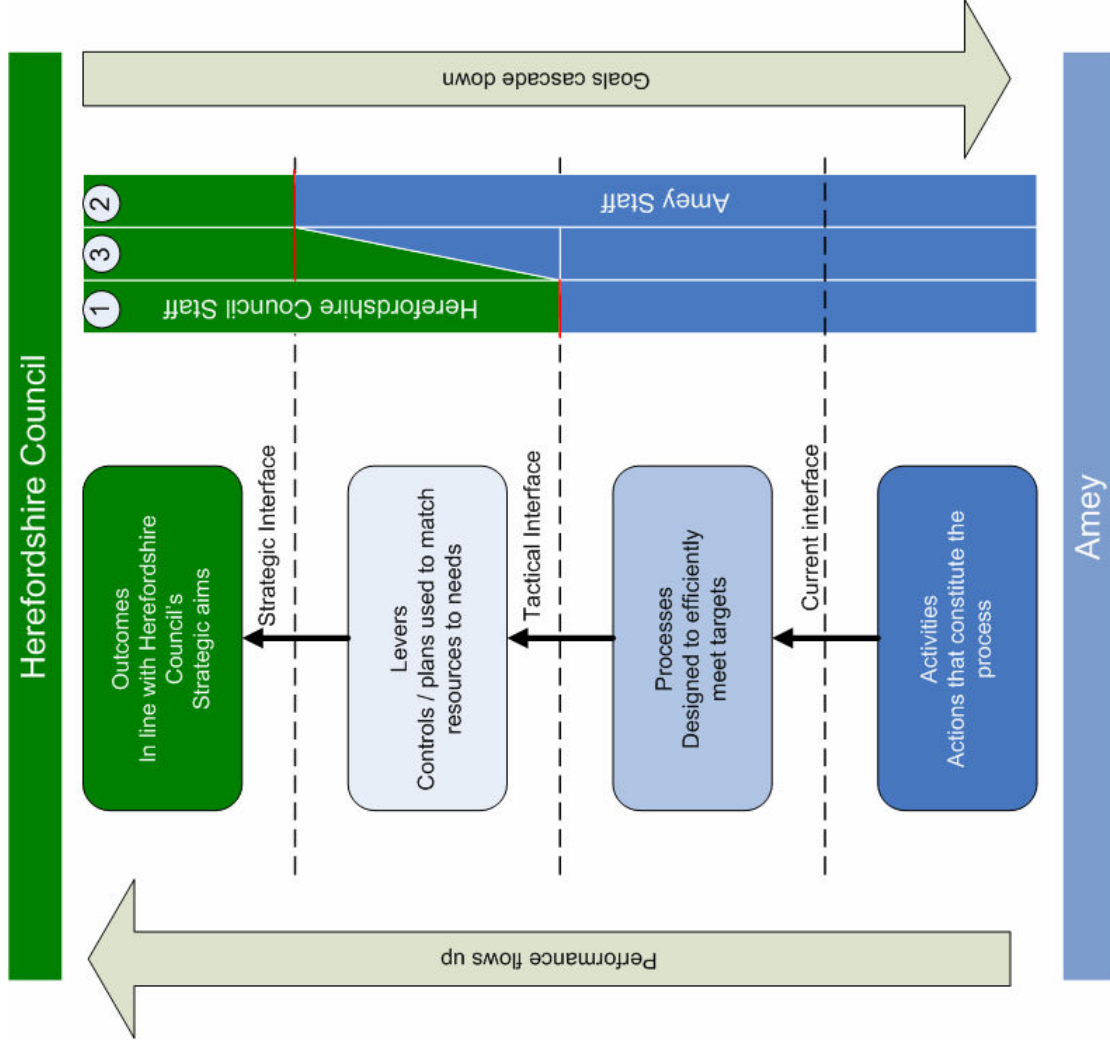
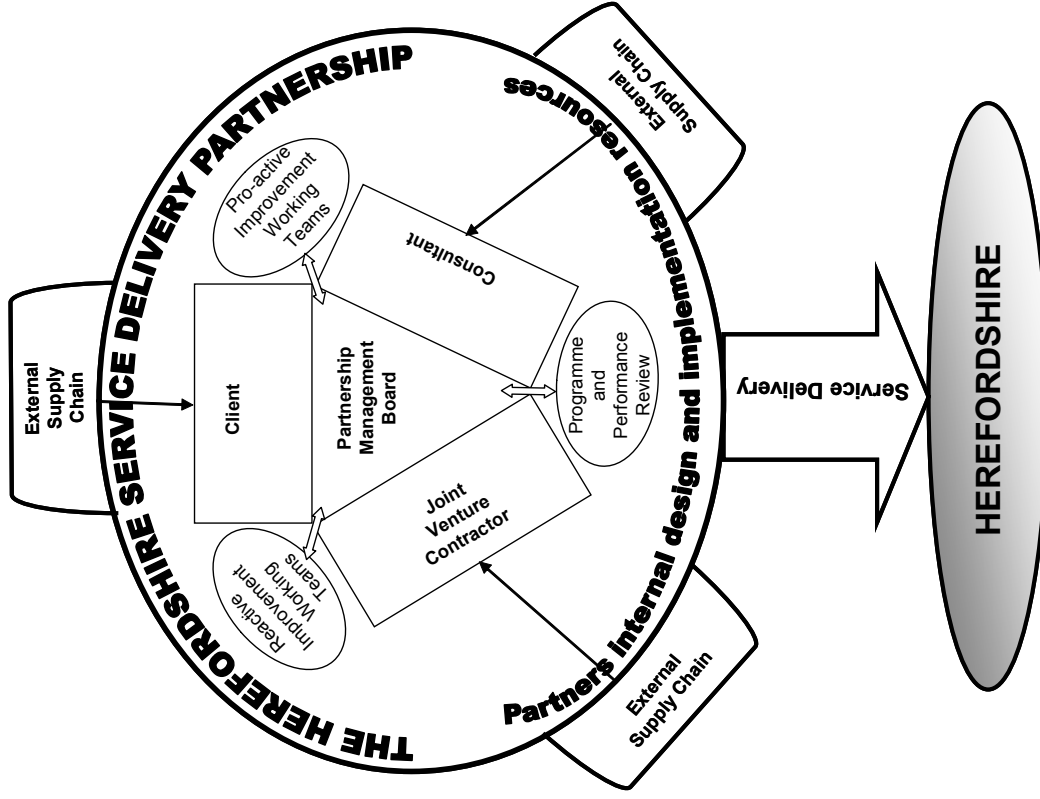


Figure 2 Organisational Interfaces

## Current Situation

- 39 The current contract between Herefordshire Council and Herefordshire Jarvis Services came into effect on 1<sup>st</sup> September 2003. The contract was let for an initial 10 year period with the option to extend the contract for a further 10 years. The agreement set up a joint venture to deliver a range of services for the Council which are described in Appendix A.
- 40 Before the joint venture was put in place these services had been delivered by a direct works organisation, HCS. The relationship between Herefordshire Council and HCS was poor and there were doubts about the efficiency of HCS's operations.
- 41 Since 1<sup>st</sup> September 2003 the situation has improved and the joint venture has performed satisfactorily in terms of day to day delivery in most areas.
- 42 The Service Delivery Agreement with Owen Williams came into being at the same time as the joint venture. Its aim was to create the Herefordshire Service Delivery Partnership. It identified partnership working as: "Partnering involves two or more organisations working together to improve performance through agreeing mutual objectives, devising ways for resolving any disputes, committing themselves to continuous improvement, measuring progress and sharing the gains."
- 43 The vision of three organisations working in partnership is described in the diagram below. However, this vision of effective partnership working has not been achieved to date across the whole partnership which has meant that the hoped for benefits of partnership working have not been maximised.
- 44 Not surprisingly, given the lack of the underpinning partnership working, the agreement has not led to the level of continuous improvement anticipated. There are also a range of issues that are barriers to further improvement, for example: performance management is not effectively linked to the contracts, there is a lack of trust between partners, the payment and contract management arrangements are overly complex, there is no comprehensive programme of works and IT is not integrated.
- 45 Furthermore, the contract created in the latter part of 2003 had some flaws that were known about but not removed. These included rates that did not reflect the cost of providing the service (some benefiting the Council; some benefiting the contractor) and services for which rates had not been agreed. It was assumed (or hoped) that these anomalies would be isolated and fixed as the partnership developed. In fact there have been few changes to the contract since its signing and these flaws and anomalies are used to this day to demonstrate the unfair nature of the agreement (alongside real examples no doubt).
- 46 The partnership was not helped by the goings on at the parent company of Herefordshire Jarvis Services. These are documented elsewhere but may have led to a focus on cash generation rather than partnership development.
- 47 In 2006 the joint venture was sold by Jarvis to Amey Local Government. The new owners, who have also taken over Owen Williams (now Amey Consulting), have taken part in this review. They are keen to renegotiate the contract into a form that better suits themselves and the Council, removing the anomalies and flaws from the current agreement and looking to build the partnership that was intended but never achieved. The Council is, therefore, in the auspicious position of having a second opportunity to create the Herefordshire Service Delivery Partnership, albeit with some constraints imposed by the previous negotiation.



CH.082.16.6.03 R2

Figure 3 Herefordshire Service Delivery Partnership

## Criteria for partnership

- 48 In January 2008 the Audit Commission published the report “For better or worse: Value for money in strategic service-delivery partnerships.” This provides a framework to help councils manage and assess the performance of Strategic Service Partnerships. It divides the benefits that can be derived from strategic partnerships into ‘core’ and ‘additional’ benefits and identifies the factors that are important in delivering each. The report was based on an analysis of partnerships worth more than £2.6 billion, with individual contract values ranging from £50 million to £425 million. This report draws heavily on the direction provided by the Audit Commission report; many of the diagrams and arguments below are drawn directly from it.
- 49 According to the Audit Commission, partnerships have delivered the following benefits.

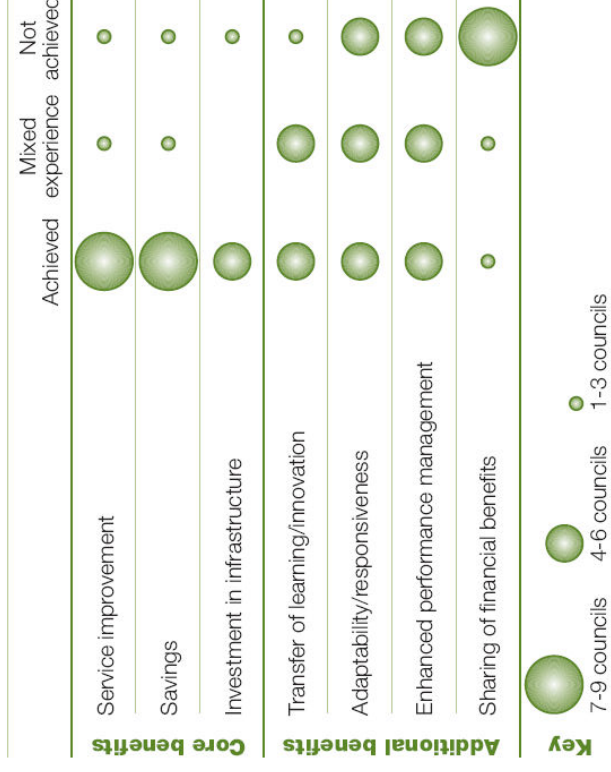


Figure 4 Partnership Benefits

- 50 Not all partnerships have delivered these benefits. The graph below shows how the partnerships in the study fared.

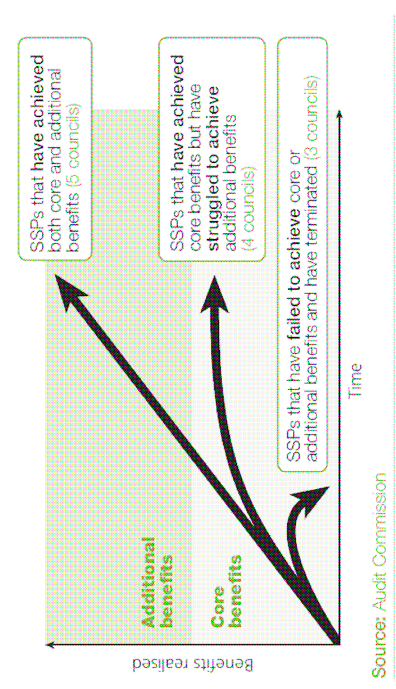


Figure 5 Partnership outcomes in the Audit Commission study

- 51 The factors that are common to partnerships that achieve core benefits are: effective risk management, robust performance management, client side capacity, enabling flexibility. It is important that any changes to the current arrangements for Herefordshire takes account of these lessons learnt and that appropriate measures are put in place to achieve both these core and the additional benefits of working in partnership.
- 52 Additional benefits are delivered by partnerships with: flexibility, trust, and effective governance and partnership incentives.

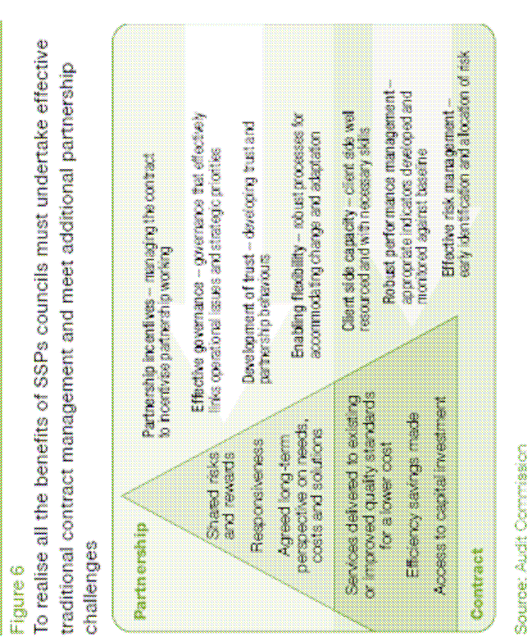
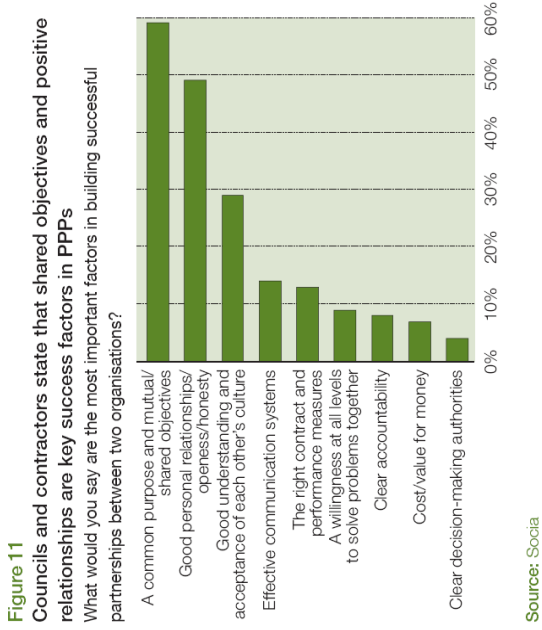


Figure 6 Realising the benefits of SSPs

53 An improved way of working will also be crucial. When looking at Public Private Partnerships the Audit Commission found that shared objectives and positive relationships were key to success.



*Figure 7 Factors in successful partnerships*

- 54 This report has been developed to take into account the findings of the Audit Commission. It is divided into sections that investigate the ability of each model to deliver the partnership benefits through the identified enablers and improved partnership culture.
- 55 The Audit Commission report, the experience of working with a strategic supplier and feedback from the staff all point to the need for three areas that need to be developed with equal vigour as a result of this review:
- 55.a **Contract** – the partnership agreement and governance need to be structured to ensure that both parties have shared goals, to allow the Council to focus on improving outcomes and to have the flexibility to be responsive to changing policy goals
  - 55.b **Client Interface** – the Audit Commission identified good contract management as being key to delivering the core benefits of the partnership<sup>3</sup>. The people in the interface will also help deliver better partnership working
  - 55.c **Culture** – the spirit of the partnership is crucial to achieving the additional benefits. The organisational development that is needed to develop this spirit will be based on encouraging behaviours based on team values and effective performance management

<sup>3</sup> The OGC benchmark cost for effective client interface is 2% of the contract value



## Structure of the Report

- 56 The sections in this report are largely based on the benefits that can be derived from strategic partnerships (as identified in the Audit Commission report).
- 57 The report starts by summarising the conclusions that have been drawn by considering how each model would drive the benefits.
- 58 The 'Potential Staff Implications' section does not relate to one of the benefits identified by the Audit Commission but explores the implications of each of the models.
- Conclusions
  - Findings
  - Potential Staff Implications
  - Financial Savings
  - Service Improvements
  - Investment in Infrastructure
  - Transfer of Learning
  - Better Performance Management
  - Sharing Financial Benefits

- 59 Each of these sections contains an introduction, a table containing a summary of the impact expected, a commentary drawing together the implications of implementing each model and conclusions. The conclusions reflect the broad recommendations that will be made for the creation of the negotiation mandate.

# Conclusions – The Herefordshire Model

## Introduction

- 60 This section describes the principles that it is recommended should underpin the Herefordshire model that could be put in place through negotiation with Amey. It is not intended to be the mandate for negotiations and does not disclose anything about the council's point of view that would hamper or restrict the negotiating team's ability to deliver the best possible deal for Herefordshire.
- 61 The features that we would like to see in Herefordshire model are described below. These features have been identified by analysing three alternative partnership models: improved business as usual, the managing agent model used by in Bedfordshire Council and Amey and the integrated service model used by Gloucestershire County Council and WS Atkins.

## Fundamentals

- 62 It is essential that key people in both organisations support the model that is ultimately adopted. For the partnership model to be successful it is important to ensure:
- 62.a Senior management commitment to partnership working within each service area;
  - 62.b It meets the contractor's desire to have a broad partnership delivering a wide range of services to the council; and,
  - 62.c Is the most efficient and effective way to deliver services and improve performance.
- 63 The contract underlying the partnership needs to be well constructed and complete.

## Organisational interface

- 64 Our analysis suggests that having a strategic interface between organisations offers the greatest opportunity for savings. An integrated service delivery organisation implemented using either the managing agent or integrated services model is the most efficient allowing better planning and a greater opportunity to identify synergies between services.

## Staffing model

- 65 There are two alternative models for delivering the integrated service organisation that should form a suitable basis for negotiation:
- 65.a The service delivery organisation is staffed by Amey employees. This is the least risk approach. It is a proven model that will minimise the risk that the cultural problems (identified by the Audit Commission) will prevent the partnership delivering additional benefits.

- 65.b The service delivery organisation is staffed by both Amey and Herefordshire Council employees working in mixed teams. There is a risk that mixed teams work less effectively a common culture cannot be developed. This risk is, perhaps, greatest in services where the current relationship between the two organisations is poor. However, the approach would reduce the disruption to staff, could provide some small additional savings and could possibly allow the new service delivery model to be put in place more quickly.
- 66 The partnership will need to build a culture based on trusting relationships between individuals. On the one hand, the single employer model simplifies the organisational development that will be required. On the other hand, mixed teams could bring different strengths and perspectives that could enhance service delivery.
- 67 The choice of staffing model, therefore, comes down to weighing up the advantages of each approach together with a realistic assessment of whether mixed teams can be made to work in Herefordshire.

### **Performance management**

- 68 Ideally the performance management system should
- 68.a Link into the council's performance management framework
  - 68.b Have a range of performance measures designed to demonstrate the impact of service delivery on outcomes
  - 68.c Link both contract profitability and contract extension to performance
  - 68.d Include an effective client side organisation to ensure efficiency and value for money
- 69 Partnerships rely on appropriate behaviours on both sides. In addition to a strong client team to manage the contractor we need a method of identifying and correcting poor partnership behaviours within the council.
- 70 The contract must allow the service delivery organisation to be flexible in its approach to new or extraordinary circumstances as varied as changing central government policy or unexpected flooding.

### **Service user input and best practice**

- 71 The watchman role established in Bedfordshire improves links with local communities and offers a way for service users to influence delivery and should, therefore, be part of the Herefordshire model.

### **Management structure**

- 72 Whether to have a combined or separate Contractor general manager and Council service manager role should be judged on whether the benefits of having one person accountable for both service performance and profitability outweigh the risks of overloading the job.

# Findings

## Categories

- 73 The findings from each section in this report explore how the models studied operate. The findings have been analysed in the following categories:
- 73.a Fundamentals – organisational support for partnership working
  - 73.b Organisational interface – tactical or strategic level
  - 73.c Staffing model – who employs staff in the service delivery organisation
  - 73.d Performance management – encouraging and rewarding good performance
  - 73.e Service user input and best practice – opportunities for local influence
  - 73.f Management structure – managing the partnership

## Fundamentals

- 74 The current situation suggests that, whatever model of partnership is put in place, there are a number of fundamental building blocks required for success. We need to have a realistic appreciation of these things in order to define the best possible model for each service area. The fundamentals are:
- 74.a An understanding, shared by all involved, of how the partnership is meant to work
  - 74.b Commitment to the partnership at senior levels in both organisations
- 75 Pragmatically, the choice of model in each service area will depend on the commitment to the partnership of the senior management in that area. If there is no appetite for partnership working at the most senior levels, then the partnership is unlikely to work. On the one hand, if that appetite does exist then that commitment needs to be communicated to all staff involved in the partnership. On the other hand, if it does not, then the contract needs to reflect the desire to work more as contractor and client.

## Organisational Interface

- 76 The analysis suggests that the Herefordshire model should set the organisational interface between the council and the service delivery organisation at the strategic level. This puts in place an efficient delivery organisation and offers the best chance of improving the culture in the partnership.
- 77 The improved business as usual model does not meet the service delivery review savings criterion. It is, therefore not a suitable basis for

- renegotiation. An integrated service delivery organisation is an important driver of savings in those models that meet the savings criterion.
- 78 The managing agent or integrated service models will make it easier to implement any improvements identified by Amey's watchman scheme as the contractor is responsible for planning service delivery.
- 79 Creating an integrated service delivery organisation reduces the issues caused by poor cross organisational working.

#### **Staffing Model**

- 80 There are two alternative models for delivering the integrated service organisation:
- 80.a The **managing agent model** in which the service delivery organisation staff is employed by Amey. This is the least risk approach. It is a proven model that will minimise the risk that the cultural problems (identified by the Audit Commission) will prevent the partnership delivering additional benefits.
- 80.b The **integrated services model** is staffed by both Amey and Herefordshire Council employees. There is a risk that mixed teams work less effectively if a common culture cannot be developed. This risk is, perhaps, greatest in services where the current relationship between the two organisations is poor. However, the approach would reduce the disruption to staff, could provide some small additional savings and allows the new service delivery model to be put in place more quickly.
- 81 The current partnership structure has not led to good partnership working. It is likely that the improved business as usual model will continue to suffer from lack of trust between the employees in each organisation.
- 82 The managing agent model provides the simplest approach to organisational development as the service delivery staff will be employed by a single organisation.
- 83 The integrated services model appears to have been successful so far in Gloucestershire but relies on developing a single organisational culture with a mixed staff.

#### **Performance Management**

- 84 Both the managing agent and integrated service models feature strong performance management schemes. These could be linked to the council's performance management framework which will align service improvements to the council's priorities.
- 85 Measuring the contractor's performance against agreed indicators included in the council's service delivery plans would help the council prioritise spend and ensure key outcomes are achieved.
- 86 A strong and effective performance management system is more likely to encourage appropriate investment in infrastructure to improve outcomes. The improved business as usual performance management model offers little incentive for the contractor to invest.
- 87 The contract must allow the service delivery organisation to be flexible in its approach to new or extraordinary circumstances which could be as varied as changing central government policy or unexpected flooding.

- 88 In order to provide better performance management we need to:
- 88.a Have a partnership built on a well constructed and complete contract
  - 88.b Have a performance management scheme that rewards good performance and penalises poor performance
  - 88.c Ensure that there are consistent measures of performance to provide a baseline against which to monitor any changes in performance that result from any agreed changes
  - 88.d Develop a set of desired outcomes and a set of indicators to measure the performance of the partnership across all relevant service areas that reflect the customer experience
  - 88.e Use contract extensions to reward good performance to avoid “asset sweating” towards the end of the contract period
  - 88.f Remove the anomalies in the current contracting arrangement
  - 88.g Include an effective client side organisation to ensure efficiency and value for money
- 89 It would be more effective to link successful delivery to both contract extension and profit (as in the integrated service model) rather than just contract extensions (as in the managing agent model).
- 90 One of the lessons of the last five years is that partnerships rely on appropriate behaviours on both sides. In addition to a strong performance management system for the contractor we need a method of identifying and correcting poor partnership behaviours within the council. We need good contractor performance and good client behaviour.

#### **Service User Input and Best Practice**

- 91 The watchman scheme is a feature of the managing agent model that improves links with local communities and offers a way for service users to influence delivery.
- 92 Amey's watchman scheme offers a good model for transferring learning between authorities with Amey contracts. This could be combined with benchmarking and other information sharing by the client team with authorities outside this group.

#### **Management Structure**

- 93 The integrated services model combines the Contractor's general manager and Council's service manager role. It could be seen as the next step in developing a partnership approach bringing:
- 93.a Greater benefits: one person accountable for delivering both service and profitability
  - 93.b Greater risks: if the current antagonisms cannot be reduced then it may be an undoable job
- 94 This approach ensures that the aims of the two organisations are aligned and with performance measured against the council's own service delivery plans.



# Potential Staff Implications

## Introduction

- 95 This section describes the impact on staff of each model. The impacts include potential staff transfers, reduction in posts required to deliver the service and the potential of each model to drive positive organisational development.
- 96 The approach taken to identifying the likely staff implications of the different models is outlined in Appendix C.

## Analysis of the Impacts

| Impact                     | Improved bau   | Managing agent  | Integrated services  |
|----------------------------|--|---|--|
| 1. Staff efficiencies      | As the way of working would remain broadly the same under this model, there are limited opportunities for staff related efficiency savings. As such, there would only be a marginal reduction in posts across the partnership. | Consolidating the service delivery organisation will lead to more efficient service delivery. Whilst maintaining current levels of service delivery, it is estimated that this would lead to an overall reduction in posts across the partnership in a range of activities.<br><br>However, a dedicated single contract management team would need to be established representing a clear shift from supervision to performance management.<br><br>Staff efficiencies would come from improved processes including reduced levels of supervision and in the requisitioning and payment mechanisms for work. | Overall impacts are anticipated to be similar to the managing agent model. |
| 2. Changing nature of work | This improved interface between the Council and Amey is intended to encourage improved behaviours on   | A greater emphasis on performance management rather than contract monitoring will increase the need for   | Impacts are similar to the managing agent model, and...                    |



| Impact  | Improved bau  | Managing agent  | Integrated services |
|---|---|---|---------------------|
| <p>both sides. This will make the interactions between the two organisations more efficient and reduce the volume of routine administration tasks.</p> <p>A significant programme of cultural change is required</p> <p>The penalties and bonuses could encourage improved behaviours and, therefore, some improved partnership working</p> <p>It seems unlikely, however, that small improvements to contractual arrangements will lead to radically improved partnership working</p> <p>The current interface is set at various levels from the strategic to the tactical but works best at the strategic level<sup>4</sup></p> | <p>the measurement of outcomes and benchmarking of costs and rates.</p> <p>A more efficient delivery structure could allow a greater number of staff to be assigned to service delivery.</p> <p>Services would be delivered by Amey and performance monitored and measured by the council. This simplifies the process of organisational development. Service delivery would be done according to Amey's values while the client organisation will operate according to the council's values</p> <p>In Bedfordshire Amey have developed an effective service delivery culture from a previously underperforming organisation.</p> | <p>Integrated working with mixed Amey and council teams could enable Council and Amey employees to develop a wider skills base</p> <p>Single organisation provides simpler organisational development with the cooperation of the employing organisations</p> <p>There is the possibility that the services will benefit from a mix of cultures: dedication to public service and commercial focus.</p> <p>In Gloucestershire the experience of mixed teams appears to have been positive based on reference site investigations.</p> |                     |

Table 1 Impact on staff

## Implications

- 97 The partnership is unlikely to deliver additional benefits without the development of trust between individuals. It is clear from the examination of the best performing partnerships, and the Audit Commission report, that getting the right culture is a key element for the success of partnerships. It is, therefore, important that the model proposed for Herefordshire can foster a positive culture.
- 98 The working relationships within the partnership have become strained over the last five years and it has become clear during this project that the required level of trust does not exist. There are probably many, many reasons for this but, undoubtedly, among them are a poorly

<sup>4</sup> In areas such as winter service and the emergency response, where all parties simply focus on getting the job done well, as opposed to debating the price in detail.

- constructed contract and the experience with Jarvis of a partner that was distracted by financial and other organisational problems that had nothing to do with Herefordshire.
- 99 The level of distrust that has built up over the last five years in some areas suggests that business as usual model is unlikely to deliver the improved working relationships that are clearly required.
- 100 The managing agent model separates service delivery from a client function that would define policy, set targets and monitor performance. Organisational development is simplified through the clear separation of roles into the two organisations and Amey have demonstrated that they can make this model work in Bedfordshire. It would involve a number of staff transferring from the council to Amey and this will, inevitably, cause some disruption.
- 101 The Bedfordshire contract only delivers part of the range of services included in the Herefordshire agreement. However, assuming the competencies exist within Amey Local Government it seems reasonable to expect that they could also develop a culture of successful delivery within the full range of services.
- 102 The integrated services model could offer the advantages of the managing agent model but without the disruption of TUPE transfers, although any disruption would need to be kept to a minimum by following proper procedures. This would allow us to put in place an integrated service delivery organisation more quickly than the managing agent model. The example of Gloucestershire shows that this model can work and that, moreover, mixed teams can offer advantages over the managing agent model.
- 103 Combining the Contractor's general manager and Council's service manager roles is an integral part of the integrated services model and would require a high level of trust between the two organisations. It relies on there being in place a manager of the right quality who trusted by both organisations and capable of delivering the changes and services required.
- 104 The integrated services model could allow the council to maintain a wider range of skills within its staff while gaining the benefit of working along side a commercially successful organisation. It could also be put in place more quickly, as there would be less need for consultation, and at a lower cost, as the employer of TUPE transferred staff pay a premium on pension contributions.
- 105 There are a number of risks with the integrated service model: it will potentially be a bigger challenge to get mixed teams to deliver effectively due to the lack of a single culture; it will require a level of commitment to the partnership on both sides and at all levels.
- 106 It will be important to ensure through negotiation the detailed acceptability of any proposed model to Amey.
- 107 The integrated services model should be considered as a potential alternative to the managing agent model which could offer additional benefits if:
- 107.a It is considered that mixed teams can be made to deliver effectively.
  - 107.b There is believed to be the willingness on both sides and at all levels to make the mixed organisation work and ensure behaviour change.

## Findings

### Organisational Interface

108 The analysis suggests that the Herefordshire model should set the organisational interface between the council and the service delivery organisation at the strategic level. This puts in place an efficient delivery organisation and offers the best chance of improving the culture in the partnership.

### Staffing Model

109 There are two alternative models for delivering the integrated service organisation:

109.a The **managing agent model** in which the service delivery organisation staff is employed by Amey. This is the least risk approach. It is a proven model that will minimise the risk that the cultural problems (identified by the Audit Commission) will prevent the partnership delivering additional benefits.

109.b The **integrated services model** is staffed by both Amey and Herefordshire Council employees. There is a risk that mixed teams work less effectively if a common culture cannot be developed. This risk is, perhaps, greatest in services where the current relationship between the two organisations is poor. However, the approach would reduce the disruption to staff, could provide some small additional savings and allows the new service delivery model to be put in place more quickly.

110 The current partnership structure has not led to good partnership working. It is likely that the improved business as usual model will continue to suffer from lack of trust between the employees in each organisation.

111 The managing agent model provides the simplest approach to organisational development as the service delivery staff will be employed by a single organisation.

112 The integrated services model is successful in Gloucestershire. However, it relies on developing a single organisational culture with a mixed staff.



# Financial Savings

## Introduction

113 This section describes the way in which financial savings could be made by each model. Broad initial estimates of potential savings have been developed based on current costs. The potential savings that have been identified include savings that could arise from reductions in the number of posts required to deliver the service, reductions in costs that do not relate to reduced posts and extra revenue opportunities (which have been treated as though they are savings).

114 Securing the savings identified under each model is not guaranteed. Whilst care has been taken in developing these estimates, delivering these savings would be subject to the successful implementation of an appropriate model, the detail of negotiations with Amey regarding the changes to be implemented and good partnership working. If these savings can be achieved, this would also provide the Council with the opportunity to consider reinvesting savings that are released to further improve services.

## Source of Financial Savings

115 One of the aims of the review is to identify how to reduce the cost of delivering the various services included in the partnership. The criterion from phase 1 of the project was that for a model to be considered in phase 2 it ought to be capable of delivering at least £1m of real long term savings. Both models brought forward from phase 1 were scored amber on this criterion implying that the project team considered that both had the potential to deliver this level of savings. The integrated services model, having similar organisation structure to the managing agent model, also has the potential to provide savings.

116 The aim of this section is to examine the potential of each model to deliver savings. The areas included in the analysis are summarised in the table below.

| Source of savings                        | Improved bau   | Managing agent  | Integrated services   |
|--|--|---|---|
| 1. Reduction in staff costs <sup>5</sup> | As the way of working would remain the same under this model there are limited opportunities for savings in staff costs. However, it is estimated that potential | By consolidating the service delivery organisation the managing agent model offers the opportunity to remove some of the current inefficiencies and | The estimated potential savings are the same as for the Managing Agent model of between £400,000 and £650,000. In addition to the savings that can be |

<sup>5</sup> NOTE: All staff savings include on costs at 26.5%

| Source of savings                     | Improved bau   | Managing agent  | Integrated services   |
|---------------------------------------|--|---|---|
|                                       | savings of up to £200,000 could be achieved.   | duplication. The estimated potential savings are between £400,000 and £650,000. | gained from consolidating the service delivery organisation the integrated services model would have a small saving in pension premiums <sup>6</sup> although this has not yet been quantified. |
| 2. Gritter fleet                      | Analysis carried out by Amey winter maintenance vehicle expert: There are 17 gritters currently on lease purchase over 8 years. Initial replacement of 6 of the gritters with dual use vehicles as they come up for renewal would release a total of £60,000. There may be savings resulting from replacement of further vehicles but this would require substantial detailed work and is to be considered during the negotiations.<br>Estimated saving (not dependent on the model selected) is £60k. |   |   |
| 3. Damage to Immobile Property Claims | This is an opportunity to increase revenue through the recovery of costs for damage to highways, street lighting, signage etc from individuals and businesses <sup>7</sup> . Two full time posts would be required to manage this process and would be funded from the savings. Dedicated staff can develop working relationships with police and insurance companies and would make recovery more effective.<br>Estimated annual savings (not dependent on the model selected) is £308k.              |   |   |

Table 2 Financial savings

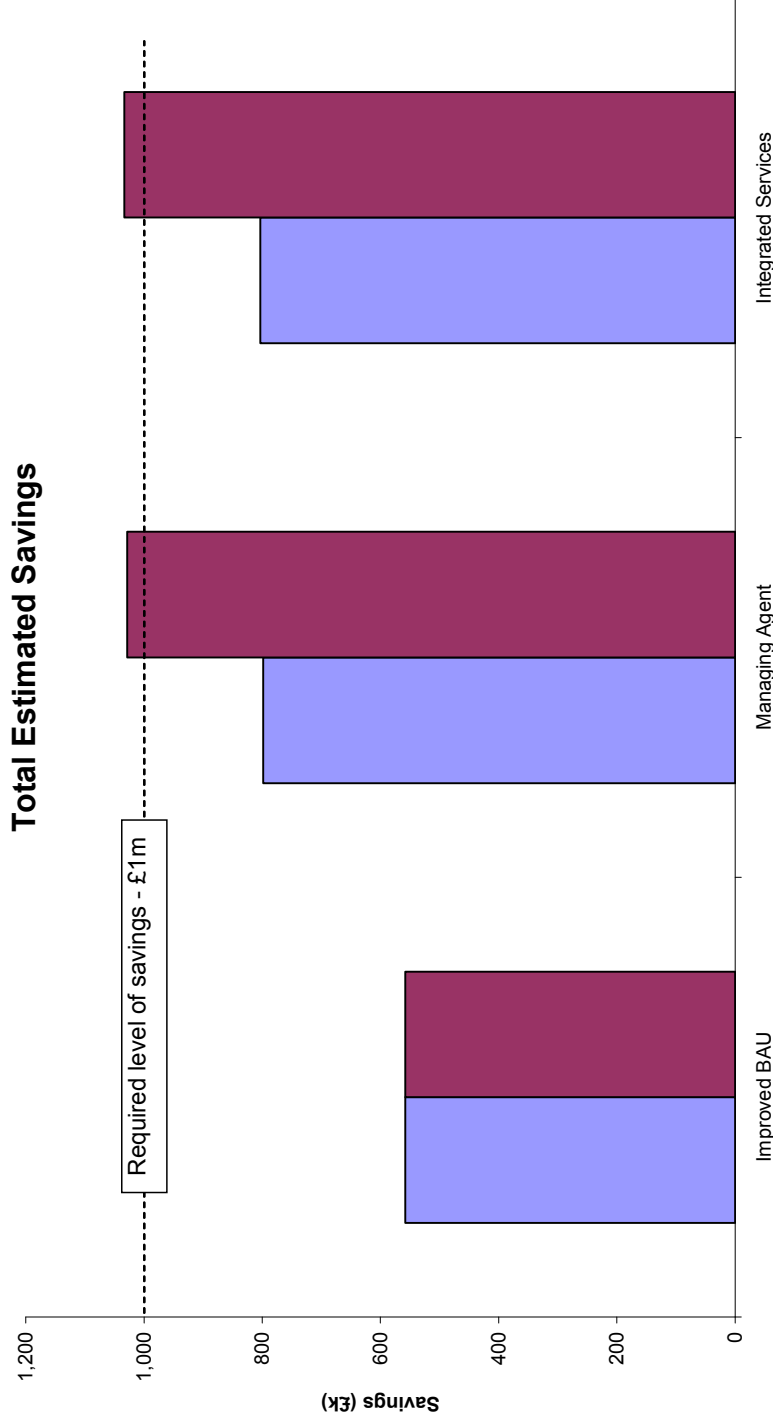
## Implications

117 The reduction in roles required for the improved business as usual is marginal. The managing agent model, by consolidating the service delivery organisation, removes some of the efficiencies from the system. Finally the integrated services model allows similar savings to the managing agent model but also has a simpler management structure. A summary of the analysis used in estimating the potential savings is included in Appendix C.

118 The overall potential savings estimated for each model is shown in the following table.

<sup>6</sup> Approximately 1% of salary costs of TUPEd staff

<sup>7</sup> The estimate has been produced by extrapolation of Amey's Hertfordshire claims experience to Herefordshire modified to reflect the situation in Herefordshire.



*Figure 8 Estimated Savings For Each Model*

119 The high estimates for the managing agent and integrated service models are the only ones that meet the original savings criterion.

## Findings

### Organisational Interface

120 The improved business as usual model does not meet the service delivery review savings criterion. It is, therefore not a suitable basis for renegotiation. An integrated service delivery organisation is an important driver of savings in those models that meet the savings criterion.



# Service Improvements

## Introduction

121 This section examines whether there are aspects of the models being considered that will drive service improvements. The potential drivers are identified and the ease with which they can deliver improvements is assessed for each model.

## Drivers of Service Improvements

| Drivers   | Improved bau   | Managing agent  | Integrated services  |
|---|--|---|--|
| 1. Improved forward planning  | Responsibility for forward planning would remain with Herefordshire Council.   | Amey would be involved in helping Herefordshire Council achieve its long term aims as the objectives for the partnership will be defined by the council's performance framework.  | As the managing agent model and...<br>The integration of the management team may further help to ensure that the aims of the service delivery organisation is aligned with Council aims.   |
| 2. Performance management and continuous improvement (see Performance Management section) | Continual improvement through the use of stretching targets could be built into the contract with the agreement of both parties. | Performance targets are set by a Partnership Board to match the Council's performance management framework targets (set for three years and reviewed annually in the light of performance). The targets will be linked to delivery of Herefordshire Council's desired outcomes and will support its business strategy. Achievement of performance targets is linked to contract extensions which, if performance targets are reached, will effectively provide a rolling contract.<br><br>Amey will contribute to the development of targets that drive outcomes. | As managing agent model and...<br>Achievement of performance targets would be linked to both profitability and contract extension. This performance management scheme is the most robust of all the models.<br><br>Working in joint teams may help Council employees involved develop a wider range of skills and knowledge which may benefit the organisation as a whole. |

| Drivers   | Improved bau  | Managing agent  | Integrated services |
|---|---|---|---------------------|
| <p>3. Improved forward programming of property related activities</p> | <p>Improved forward programming of property related activities could offer improved service delivery and has the potential to deliver cost savings to the partnership. Through better forward planning, increased certainty can be provided to the contractor regarding the value of work likely to be ordered. This would enable more efficient resource planning and could reduce the need to use sub-contractors.</p> <p>Whilst these improvements could be taken forward in any of the models, it is considered most likely to be driven forward through the closer working and performance management arrangements that would be put in place through the integrated services model.</p> | <p>The targets can also be influenced at a local level by Members, partnerships and community groups through the watchman scheme resulting in improved customer delivery.</p> |                     |

Table 3 Service improvements

## Implications

- 122 Rewarding the successful attainment of targets by offering contract extensions will improve Amey's ability to forward plan towards the end of the contract. This can be done in any of the models that have been analysed.
- 123 The current performance indicators do not ensure that achievement of targets is related to desired outcomes and should be replaced with outcome based targets. These offer a better approach to forward planning and continuous improvement. Outcome based performance targets are features of both the managing agent and integrated service models.
- 124 The watchman scheme improves links with local communities and offers a way for service users to influence delivery.
- 125 The integrated services model may help the council employees involved develop a wider range of skills which will benefit the organisation as a whole.

## Findings

### Organisational Interface

- 126 The managing agent and integrated service models will make it easier to implement any improvements identified by Amey's watchman scheme as the contractor is responsible for planning service delivery.

**Performance Management**

- 127 Both the managing agent and integrated service models feature strong performance management schemes. These could be linked to the council's performance management framework which will align service improvements to the council's priorities.
- 128 Measuring the contractor's performance against agreed indicators included in the council's service delivery plans will align help the council prioritise spend.

**Service User Input and Best Practice**

- 129 The watchman scheme is a feature of the managing agent model that improves links with local communities and offers a way for service users to influence delivery.

# Investment in Infrastructure

## Introduction

130 The Audit Commission found that Councils have also received the benefits from investment in infrastructure such as a new business centre; refurbished accommodation; or an upgraded IT infrastructure. Some strategic partnerships have also aimed to create new jobs in the local area.

| Drivers               | Improved bau  | Managing agent   | Integrated services  |
|-----------------------|---|--|--|
| Additional investment | No specific investment in infrastructure is anticipated | This model provides the incentive to invest in appropriate infrastructure improvements to meet performance targets | Linking performance to both profit and contract extensions will facilitate the development of business cases for investment that helps improve performance |

## Implications

- 131 The lack of a link between performance and benefit reduces the incentive to invest in infrastructure to help improve service delivery.
- 132 Linking performance to contract extensions provides an incentive to invest to improve outcomes.
- 133 Linking performance to both contract extension and profitability provides the best incentive to invest to improve outcomes.

## Findings

### Performance Management

- 134 A strong and effective performance management system is more likely to encourage appropriate investment in infrastructure to improve outcomes. The improved business as usual performance management model offers little incentive for the contractor to invest.

# Transfer of Learning

## Introduction

135 The ability of the models to ease the implementation of lessons learned elsewhere is examined in this section.

## Drivers of transfer of learning

| Drivers   | Improved bau  | Managing agent   | Integrated services  |
|---|---|--|--|
| 1. Learning lessons and spreading best practice | Amey operates a watchman scheme. This aims to both develop relationships with local communities and to spread best practice both within the contract and across contracts managed by Amey. This can be implemented in any model | The ease with which the watchman scheme can make changes will be eased by having a consolidated service delivery model<br><br>There will be more reason for Amey to put in place an effective watchman scheme if they are solely responsible for service performance | As Managing Agent model but could retain greater public service ethos through mixed teams. |

Table 4 Transfer of learning

## Implications

136 Amey use the watchman scheme to improve local relationships and ensure the spread of best practice. This scheme can be effective in any of the models under investigation but would be eased where there is a consolidated service delivery organisation i.e. a strategic interface.

## Findings

### Service user input

137 Amey's watchman scheme offers a good model for transferring learning between authorities with Amey contracts. This could be combined with benchmarking and other information sharing by the client team with authorities outside this group.

# Responsiveness

## Introduction

138 The Audit Commission found that strategic partnerships can offer flexibility in adapting and responding to new circumstances more effectively than under traditional contracting arrangements.

139 Responsive partnerships tackle new problems by setting up joint initiatives with people from both organisations. Each side brings their own experience and expertise to the team which has a shared purpose. This joint approach to solving the problem contrasts with viewing any changes as variations in the contract, for which there should be a price increase.

## Drivers of Responsiveness

| Drivers                                     | Improved bau  | Managing agent  | Integrated services   |
|---|---|---|---|
| 1. Improved cross organisation team working | Cross organisational working can and should be improved however this has not been done well in all areas under the current arrangements | The managing agent model reduces the problems caused by poor cross organisational working by clearly separating the client and service delivery teams into two organisations<br><br>The required trust in the partnership is then built by having strong client side management | This model relies on cross organisation teams. Engendering this way of working would be central to implementation<br><br>Working in a joint team under a single management should improve cross-organisation team working |
| 2. Contract flexibility                     | There is no reason why the contract cannot be changed to reflect changing circumstance but until now this has not been done             | The approach is based on achieving agreed outcomes which can change over time based on agreement at partnership board – experience of Bedfordshire suggests that this way of working can also provide flexibility at an operational level                                       | The agreement between client and contractor incorporates the service delivery plan which is used to set targets and assess performance  |

Table 5 Drivers of responsiveness

## Implications

- 140 Both the managing agent and integrated service models focus on outcomes driven by the strategic aims of the Council helping to create a strategic partnership that will be more responsive to changing circumstances.
- 141 If integrated teams can be shown to work, the integrated service model, by using secondments rather than TUPE, could improve the partnership's cross-organisation working.

## **Findings**

### **Performance Management**

- 142 The contract must allow the service delivery organisation to be flexible in its approach to new or extraordinary circumstances which could be as varied as changing central government policy or unexpected flooding.

# Performance Management

## Introduction

143 The Audit Commission state that strategic partnerships were originally expected to bring improved approaches to performance management. They would move beyond the traditional contractual approach of close monitoring against tight criteria to focus on measuring outputs and outcomes.

144 They state that variables like service quality have, however, proved to be hard to measure and there have been occasions when performance targets have been met on paper, but the council has had concerns about the quality of service delivery that cannot be evidenced through their performance management processes.

## Achieving Improved Performance Management

| Drivers           | Improved bau   | Managing agent  | Integrated services   |
|-------------------|--|---|---|
| 1. Model approach | <p>The partnership currently has a set of performance targets including BVPIs predictability of time and cost, safety, sickness absence and limited customer satisfaction measures.</p> <p>The partnership currently meets most of its performance targets (but these are different from the targets the contractor is currently required to meet)</p> | <p>Outcome based management</p> <p>This does, however, rely on a strong client interface and effective supplier performance management since the identification of suitable outcome measures can be difficult</p>   | <p>As managing agent model and...</p> <p>Performance is measured against a set of strategic and operational measures defined in the service delivery plan</p> <p>The annual service delivery plan is part of the contract. The contractor is rewarded in line with their ability to meet targets based on the plan</p> <p>Cross organisation teams may make performance management of individual staff members more complex</p> |
| 2. Opportunities  | <p>Improved performance management including the use of stretching targets could be built into the contract with the agreement of both parties</p>   | <p>Performance targets are set by a Partnership Board to match the Council's performance management framework targets (set for three years and reviewed annually in the light of performance). The targets would be linked to delivery of the Council's</p> | <p>The performance measures and targets are defined in the service plan and will therefore be part of the council's performance management framework</p> <p>Through the integrated management, Areas will be involved in the</p>  |



|                        |   |   |  |
|------------------------|---|---|--|
|                        |   | <p>desired outcomes and will support its business strategy</p> <p>Achievement of performance targets is linked to contract extensions which, if performance targets are reached, will effectively provide a rolling contract</p> <p>Amey will contribute to the development of targets that drive outcomes</p> <p>The targets can also be influenced at a local level by Members, partnerships and community groups resulting in improved customer delivery</p> | <p>Amey will be involved in the development of the plan. The manager(s) of the service delivery organisation will also be answerable to the members via appropriate scrutiny committees</p> <p>Achievement of performance targets will be linked to both profitability and contract extension. This performance management scheme is the most robust of all the models</p> |
| <p>3. Fundamentals</p> | <p>The vision of the Herefordshire Service Delivery Partnership developed in 2003 has not been realised. To stand a chance of success we need to understand why and make sure that any new agreement is built on good foundations. These foundations are things that, if they are not in place, will put the success of the partnership at risk. They are:</p> <ul style="list-style-type: none"> <li>- A well constructed and complete contract</li> <li>- Good performance information showing where we start from and how we are doing</li> <li>- An understanding, shared by all involved, of how the partnership is meant to work</li> <li>- Commitment to the partnership at senior levels in both organisations</li> </ul> <p>None of these foundations was in place for the first half of the contract.</p> |   |  |

### Implications

- 145 The performance management arrangements within the current contractual framework have not effectively driven service improvement. It is important to move from the current position of monitoring performance to a more proactive approach of managing performance to drive service improvement.
- 146 The focus of contract monitoring should move towards measurement of outcomes and benchmarking of costs and rates in order to better align the efforts of the partnership with the council's long term aims and ensure better value for money.

- 147 The new performance regime must ensure that the interests of all service areas are adequately reflected. A concern has been expressed that the interests of 'smaller' services with an interest in the contract will come second to Highways as it has the largest spend.
- 148 The renegotiation offers the opportunity to not only improve how partnership performance is measured but also build in the flexibility that will be required to keep the partnership in line with the council's corporate objectives.
- 149 Building a partnership, as opposed to devising a contract, will require a high level of commitment from senior staff in both organisations.

## **Findings**

### **Fundamentals**

- 150 The current situation suggests that, whatever model of partnership is put in place, there are a number of fundamental building blocks required for success. We need to have a realistic appreciation of these things in order to define the best possible model for each service area. The fundamentals are:
- 150.a An understanding, shared by all involved, of how the partnership is meant to work
  - 150.b Commitment to the partnership at senior levels in both organisations
- 151 Pragmatically, the choice of model in each service area will depend on the commitment to the partnership of the senior management in that area. If there is no appetite for partnership working at the most senior levels, then the partnership is unlikely to work. On the one hand, if that appetite does exist then that commitment needs to be communicated to all staff involved in the partnership. On the other hand, if it does not, then the contract needs to reflect the desire to work more as contractor and client.

### **Performance Management**

- 152 In order to provide better performance management we need to:
- 152.a Have a partnership built on a well constructed and complete contract
  - 152.b Have a performance management scheme that rewards good performance and penalises poor performance
  - 152.c Ensure that there are consistent measures of performance to provide a baseline against which to monitor any changes in performance that result from any agreed changes
  - 152.d Develop a set of desired outcomes and a set of indicators to measure the performance of the partnership across all relevant service areas that reflect the customer experience
  - 152.e Use contract extensions to reward good performance to avoid "asset sweating" towards the end of the contract period
  - 152.f Remove the anomalies in the current contracting arrangement
  - 152.g Include an effective client side organisation to ensure efficiency and value for money

- 153 It would be more effective to link successful delivery to both contract extension and profit (as in the integrated service model) rather than just contract extensions (as in the managing agent model).
- 154 One of the lessons of the last five years is that partnerships rely on appropriate behaviours on both sides. In addition to a strong performance management system for the contractor we need a method of identifying and correcting poor partnership behaviours within the council. We need good contractor performance and good client behaviour.

#### **Management Structure**

- 155 The integrated services model combines the Contractor's general manager and Council's service manager role. It could be seen as the next step in developing a partnership approach bringing:
- 155.a Greater benefits: one person accountable for delivering both service and profitability
  - 155.b Greater risks: if the current antagonisms cannot be reduced then it may be an undoable job
- 156 This approach ensures that the aims of the two organisations are aligned and with performance measured against the council's own service delivery plans.

## Sharing Financial Benefits

The Audit Commission report found that very few strategic partnerships have achieved shared financial benefits. Attempts at sharing financial reward include revenue sharing, profit sharing, or the on-selling of services developed within the partnership to other public bodies.

Sharing financial benefits, whether through the joint venture or some other arrangement, should be considered in the negotiation phase of the process.

# Appendices

**Appendix A – Scope of review: Amey Wye Valley contract extract - SDA Schedule 3 - Works (Programmed Works Specialist Works); Amey Consulting (Owen Williams) contract extract - section on scope**

**Appendix B - Description of the models studied in the report**

**Appendix C – Summary of method used in the estimation of potential of staff related savings**

**Appendix D - Amey capability statement**



**APPENDIX A:**

**SCOPE OF CONTRACT FOR PROVISION OF TECHNICAL SERVICES**

**The Scope of this Contract is:**

- **The provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.**

**These services being:**

- **for the *Employer* and usually within the Site as described.**
- **as commissioned by the *Employer* in accordance with this contract using the model 'Service Orders' and 'Design Briefs' detailed herein.**
- **provided in accordance with the Outcome Specifications.**

**AMEY WYE VALLEY CONTRACT EXTRACT**

**Schedule 3**

**Works (Programmed Works, Specialist Works)**



## **WORKS INFORMATION**

### **CONTENTS**

- 1.0            PREAMBLE TO THE WORKS INFORMATION  
(PROGRAMMED WORKS, SPECIALIST WORKS)
- 2.0            THE HIGHWAY SERVICE
- 3.0            THE FACILITIES MANAGEMENT SERVICE
- 4.0            THE FLEET MANAGEMENT SERVICE
- 5.0            THE EMERGENCY PLANNING SERVICE

**1.0 PREAMBLE TO THE WORKS INFORMATION (PROGRAMMED WORK, SPECIALIST WORKS)**

For each of the Works 'streams' included for in this agreement, this section the Works Information, gives details of the following:

**a) Synopsis**

A synopsis of the Works.

**b) Content**

A summary of the types of activity that the *Contractor* will be required to deliver as part of the Works as described in this Schedule.

**c) Baseline Specifications**

The Baseline Specifications for each type of activity are identified here. It is intended that these specifications will be the starting point, they're content being developed through the Partnershi to meet the Outcome Specification.

## **Definition of Work types**

### **Programmed Works**

Programmed Works are those activities, which may be of the type carried out day in, day out by the *Contractor*, but are targeted to deliver solutions that are beyond the capabilities of routine means. Such Activities are 'discrete Schemes' which are identified in a needs based programme of works, thereby promoting the serviceability and sustainability of the *Site*.

### **Specialist Works**

Specialist Works are those activities, which are not of the type carried out day in, day out by the *Contractor*, but are targeted to deliver solutions that are beyond the capabilities of routine means. Such Activities are 'discrete Schemes' or elements of 'discrete Schemes' which are identified in a needs based programme of works, thereby promoting the serviceability and sustainability of the *Site*.

## 2.0 THE HIGHWAY SERVICE

### a) Synopsis

The Highway Service encompasses:-

Highway Maintenance, Bridge Maintenance, Street Cleansing and Street Scene functions, Minor Improvement works, Street Lighting (set to commence during 2004) upon all Highways maintainable at the Public expense (excluding Motorways and Trunk Roads), for which The County of Herefordshire District Council is The Highway Authority, along with works to the Public Rights of Way network as directed by the Council and associated works in the County of Herefordshire.

### b) Baseline Content

The activities that may be undertaken as part of the Highway Service are as follows:

Maintenance including:

- (a) Patching and repair and maintenance of carriageways, footways cycleways and verges as a constituent part of (b).
- (b) All types of carriageway, footway and cycleway Reconstruction, Resurfacing and Surface Treatment.
- (c) Laying or renewing all types of kerbs, edgings, setts, blocks and channels as a constituent part of (b).
- (d) Laying, repairing and renewing of drainage systems.
- (e) Provision or renewal of all types of safety barrier, guard rails and boundary fencing.
- (f) Supply and erection of all types of road signs.
- (g) The repair and minor reconstruction of all types and sizes of highway structures.
- (h) The provision and renewal of all types of road markings and road studs.
- (i) Works upon Public Rights of Way.
- (j) Other Highway works.

Improvement Schemes including:

- (l) Roadmarking and signing schemes.
- (m) Cycle Network schemes
- (n) Bus Priority schemes

- (o) Footway schemes
- (p) Traffic Calming schemes (including 20mph school zones)
- (q) Public Transport Interchange Improvement schemes
- (r) Bus Shelter, Motorcycle & Cycle Parking Provision
- (s) Safer Routes to School Schemes
- (t) Pedestrian Crossing Schemes
- (u) Pedestrian Route & Disabled Access Improvement Schemes
- (v) Safety Improvement Schemes
- (w) New Road Schemes

Street Cleansing including:

- (x) Special Events.

**c) Baseline Specifications**

The baseline Specifications for the Highway Service are contained in Schedule 03a.

### 3.0 THE FACILITIES MANAGEMENT SERVICE

#### a) Synopsis

The Facilities Management Service encompasses:-

Building and Property Maintenance works, Building Cleaning, Grounds Maintenance, Public Convenience Cleansing, Recycling Services, Catering, Printing, Courier and Cemeteries Maintenance Services for which The County of Herefordshire District Council is the 'Client', along with similar works to the corporate estate as directed by the Council and associated works within and around the County of Herefordshire.

#### b) Content

The activities that may be undertaken as part of the Facilities Management Service are as follows:

Maintenance including:

- (a) Repair to the building fabric, electrics and mechanical installations.
- (b) Planned maintenance work including decoration, roofing, flooring, plastering, re wiring and new heating installations.
- (c) Minor improvements to the building such as shelving, new door openings, etc..
- (d) The planting, establishment of seasonal bedding schemes including carpet-bedding designs.
- (e) Reinstatement of grassed areas, shrubberies, rose beds, flower beds/carpet beds in special circumstances.

Catering including:

- (l) Events Catering

Printing including:

- (aa) Brochures, Maps, Business reports and General print.
- (bb) Loose copies and bound documents in Black and White and/or Colour.

Cemeteries Maintenance:

- (ff) Grave digging, and back-filling to a specified quality standard.
- (gg) Exhumations when required to a specified quality standard.

#### c) Baseline Specifications

The baseline Specifications for the Facilities Management Service are contained in Schedule 03a.

## **Schedule 3**

### **Works ( Programmed Works, Specialist Works)**

#### **Section 3.0 Facilities Management**

##### **3.1 Building Services**

###### **3.1.1 Transitional**

###### **3.1.1.a Preamble**

During the Transitional Period the Contractor will provide the activities set out in the following Description of Activities to the Civic Estate as detailed in Schedule 10 and that they can be fulfilled within the capability of the Workforce as set out in Appendix 1 of Schedule 2 in accordance with a monthly workload programme agreed with the Employer.

The Employer has agreed to underwrite the full cost of the Building Service during the Transitional Period, but to the extent that other clients engage the Workforce in this period the staff cost component of the external income will be used to offset the cost to the Employer of underwriting the Building Service.

During the Transitional Period the Employer and the Contractor will agree the specification and price for the Contractor to deliver a comprehensive maintenance service to the Civic Estate to commence on the 1<sup>st</sup> April 2004.

###### **3.1.1.b Description of Services**

###### **(i) Works**

- Redecoration
- Minor improvements e.g. shelving, doorways, electrical adaptations or additions, heating extensions.
- Minor tasks of asset replacement e.g. luminaire renewal, boiler replacement

###### **3.1.2 Steady State**



### **3.1.2.a Preamble**

During Steady State, which will commence on the 1<sup>st</sup> April 2004, THE CONTRACTOR will provide a comprehensive\* building management and day to day maintenance service as set out in the following Description of Activities in accordance with a monthly workload programme agreed with the The Employer.

During Steady State Phase 1 the The Employer and THE CONTRACTOR will develop a plan for THE CONTRACTOR to extend its role in delivering a wider range of new build and asset replacement works.

### **3.1.2.b Description of Services**

#### **(i) Works**

- Redecoration
- Minor improvements e.g. shelving, doorways, electrical adaptations or additions, fabric and M&E extensions
- Minor tasks of asset replacement e.g. luminaire renewal, boiler replacement

## **Building Cleansing**

### **3.2.1 Transitional**

#### **3.2.1.a Preamble**

During the Transitional Period the Contractor will provide the activities set out in the following Description of Activities to the Civic Estate.

During the Transitional Period the Employer and the Contractor will agree a revised specification and price to provide a comprehensive Building Cleaning Service to commence on the 1<sup>st</sup> April 2004.

#### **3.2.1.b Description of Services**

Planned Reactive and emergency building cleaning activities to the internal building fabric within the Civic Estate

**3.2.1. c Specification**

Works Non-Routine

- Planned building cleaning activities to the internal building fabric i.e. Deep Cleaning activities based on frequencies currently provided under existing contractual arrangements with the Courier

**3.2.1 Transitional - *Not Used***

**3.2.1 Steady State**

**3.2.2.a Preamble**

The Contractor will provide a Courier Service as set out in the following Description of Activities in accordance with a monthly workload programme agreed with the Employer within Hereford City and Herefordshire County.

**Description of Services**

To provide a routine and adhoc business day courier service between the Employer's premises based on two drivers and two 3 cwt size vans according to an agreed programme of deliveries.

**3.2 Catering**

**3.2.1 Transitional – *Not Used***

**3.2.3 Preamble**

**3.2.4 Steady State**

The Contractor will provide the Programmed Works set out in the following Description of Activities to the Civic Estate in accordance with a programme agreed with the Employer.

### **Description of Services**

#### **(i) Works**

- Planned and Reactive Catering Service providing selections of nutritious and varied meals and snacks taking into account the cultural, ethnic and specific medical dietary requirements of all customers within the Civic Estate

### **Description of Services**

#### **(i) Works**

- Provide a selection of nutritious and varied meals and snacks taking into account the cultural, ethnic and specific medical dietary requirements of all customers building cleaning service including:
  - Finger Buffets
  - Fork Buffets
  - Sandwiches, crisps etc.
  - Sandwiches
  - Sweets
  - Drinks

## **3.2 Print**

### **3.2.1 Transitional – *Not Used***

### **3.2.2 Steady State**

### **3.2.3 Preamble**

The Contractor will provide the Programmed Works set out in the following Description of Activities to the Civic Estate in accordance with a programme agreed with the Employer.

#### Works

- Produce all Employer minutes and agendas
- Provide Printing, folding and enveloping of the Employer wage slips
- Produce Loose Copies or reports and publicity material for the Employer.
- Provide a "Drilling and binding of booklets and reports service to the Employer."
- Produce a range of Brochures, Maps and reports in Colour and or Black & White
- Size & Number of Documents
- Confidential shredding facility

## **4.0 FLEET MANAGEMENT SERVICE**

### **a) Synopsis**

The Fleet Management Service encompasses:-

Vehicle provision, maintenance and support to the fleet for which The County of Herefordshire District Council is the 'Client' and associated works.

### **b) Content**

The activities that may be undertaken as part of the Fleet Management Service are as follows:

- (a) A services
- (b) B services
- (c) MOT
- (d) Vehicle inspections
- (e) General repairs

### **c) Baseline Specifications**

The baseline Specifications for the Fleet Management Service are contained in Schedule 03a.



## **Appendix B**

### **Service Delivery Review Phase 2 Model Descriptions**

## Contents

|   |    |
|---|----|
| Contents.....                                       | 1  |
| Model Description .....                             | 3  |
| Improved business as Usual.....                     | 3  |
| The model in action – Herefordshire.....            | 3  |
| Principles underlying the analysis .....            | 3  |
| Strengths and weaknesses .....                      | 4  |
| ‘Managing agent contract’ (MAC) model.....          | 4  |
| The model in action – Bedfordshire Highways.....    | 4  |
| Principles underlying the analysis .....            | 5  |
| Strengths and weaknesses .....                      | 6  |
| Integrated services model.....                      | 6  |
| The model in action – Gloucestershire Highways..... | 6  |
| Principles underlying the analysis .....            | 8  |
| Strengths and weaknesses .....                      | 9  |
| Method.....   | 10 |
| Improved business as usual .....                    | 10 |
| MAC .....   | 10 |
| Integrated Services.....                            | 10 |



## **Model Description**

### ***Improved business as Usual***

#### **The model in action – Herefordshire**

The improved business as usual (IBAU) option is based on the current service delivery arrangements without modification.

A range of services including highways routine maintenance, programmed highways works, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier, printing, vehicle maintenance, sign manufacture, building maintenance, building cleaning and event catering are delivered by Amey Wye Valley Limited, a joint venture company owned by Amey Infrastructure Services Limited (80%) and Herefordshire Council (20%).

Consultancy services are delivered under a separate contractual arrangement with the Owen Williams division of Amey. The range of services include policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.

The contractual arrangements are based on the New Engineering Contract (NEC) Engineering and Construction Contract; Option A, Priced Contract with Activity Schedule, for the Service Delivery Agreement with Amey Wye Valley Limited and the NEC Professional Services Contract for the delivery of consultancy services by Owen Williams Limited. Both contracts include the partnering provision (Option X). These arrangements provide no significant incentives to drive productivity improvements, nor do they allow any significant sanctions to be taken for non-delivery.

Both contracts are for an initial ten-year term with an option to extend for a further ten years. Overall contract management for both rests formally with a single individual on the client side but in practice a large number of client officers are involved in ordering work and monitoring activities conducted under the contract and agreeing the amounts to be paid for specific work items.

Until the commencement of the current review a board, which comprised directors from the parent organisations, gave strategic direction to this partnership. The board was supported by a partnership project management team, which comprised senior managers from each of the partners.

This model is intended to overcome some of the disadvantages of the existing arrangements.

#### **Principles underlying the analysis**

This section describes the principles underlying the IBAU model. These have been used to develop the analysis of the model's potential to meet the Herefordshire service delivery review objectives.

The features of the model that have been used as assumptions in analysing how it meets our objectives are:

- Modifications to the contract would be negotiated to allow for a number of incentive-based adjustments to the payment mechanism as well as re-aligning the rates with the actual costs of service provision

- The current schedule of rates' deficiencies would be addressed to ensure that overall operating margins are maintained but individual rates are adjusted such that each business area achieved broadly the same percentage margin and prices better reflected the costs of delivering the service
- A requirement on the contractor to finalise the account on any particular work item within any particular timescale
- Market testing for value-for-money
- Incentivising lump sum payments to the contractor to improve performance
- Alignment of cost efficiency rebates with Gershon efficiency increases required of the Council
- Provide specific links between performance and payment
- Completing the schedule of rates
- Clarity over precisely what constitutes routine and reactive works, and what constitutes programmed work
- The contractor's fee percentage arrangement to be modified to provide an incentive to drive down the costs of externally sourced work
- A strengthened and less diffuse client role
- A commitment to, and investment in, closer partnership working

## **Strengths and weaknesses**

### **Strengths**

- Known model requiring limited renegotiation and only modest change to the Council's organisation
- A strengthened and focused client team should overcome most of the areas of disagreement inherent in the current arrangements
- No TUPE

### **Weaknesses**

- Although improved, still complex accountability for service delivery

## ***'Managing agent contract' (MAC) model***

### **The model in action – Bedfordshire Highways**

The MAC model is based on Amey's partnership with Bedfordshire. This has been running since October 2005 and is considered by both Amey and the Council to be a success. The partnership combines the roles previously undertaken by the council's highway asset and network management teams with term maintenance service delivery.

Before 2005 the council's highways had become an important concern for its citizens. The quality of the roads was perceived to be poor and the council decided that it needed to take action. The action consisted of letting the contract for highways services to Amey and a substantial increase in funding (approximately £4m).

A previously underachieving operation has been transformed into one that is excelling. The council has gone from one to three stars and Bedfordshire Highways has been an important part of this transformation. Although the improvement has been achieved with the injection of extra cash, the investment has been well spent, the performance has improved, relationships with local communities are good and the partnership is clearly working.

This model delivers more efficient services – better services for less – by putting the service delivery into a single organisation. Amey will own the service delivery end to end and will take ownership of meeting the performance targets.

The benefit to Amey of meeting the performance targets is an extension of the contract. In Bedfordshire the contract was originally let for five and a half years. The first extension of 12 months was awarded in July 2007 reflecting the successful start to the partnership.

An important part of Amey's service contracts is the Watchman scheme. This scheme identifies an individual whose role is to ensure that best practice is spread within the service delivery organisation and across Amey. The role is also responsible for developing and improving relationships with community groups.

The partnership is controlled by the Partnership Network Board. This includes the cabinet member, the Director of Environment, the Watchman and other representatives from Amey and the council. The board is responsible for setting and assessing priorities and performance targets.

The service advisory group produces monthly performance reports showing progress towards targets.

## **Principles underlying the analysis**

This section describes the principles underlying the MAC model. These have been used to develop the analysis of the model's potential to meet the Herefordshire service delivery review objectives.

The features of the model that have been used as assumptions in analysing how it meets our objectives are:

- The organisation has been divided into two groups: **service delivery** roles and **foundation roles** - policy development, strategy, contract management and those roles that the council wants or needs to perform itself
- This structure has been assumed for each of the services included in the contract (Highways, Parks and Countryside and Property Services). In Bedfordshire Amey only deliver Highways and, as Bedfordshire is not currently a unitary authority, the range of services within Highways is not as wide as in Herefordshire. The risk that the model is not suitable for all service delivery areas has been mitigated by involving both experts from Amey and relevant Herefordshire Council staff
- All service delivery staff will be employed by Amey
- All foundation roles will be employed by Herefordshire Council
- Service delivery staff currently employed by the council will be moved to the new service delivery organisation
- The interface between the service delivery and foundation organisation will be set at the strategic level i.e. the council will be responsible for objectives and strategic plans and Amey will be responsible for planning delivery.

- A contract management team will be created to ensure quality and value for money and police the terms of the contract
- Service performance success will be measured by a set of performance indicators agreed between the Council and Amey – these may change over time by agreement of the controlling board. **FURTHER DETAILS OF PERFORMANCE INDICATORS USED TO BE INCLUDED IN FINAL REPORT**
- The council will be responsible for defining and prioritising the performance indicators and ensuring that they are in line with its priorities
- Successful delivery will be rewarded by 12 month extensions to the contract – the current contract will have 5 years to run in September 2008
- The foundation staff remaining within the council will define strategy and manage the contract

## **Strengths and weaknesses**

### **Strengths**

- Clear accountability for service delivery
- Single, integrated service delivery team
- Governance structure that encourages member involvement
- Strong relationships with local communities via watchman and area teams and dedicated budgets for parish councils

### **Weaknesses**

- Limited incentives for good performance – the contact extension is either granted or not, there is no way of giving a reward that is in proportion to the level of achievement
- The process of tupe-ing staff could be disruptive although Amey has significant experience of successful TUPE transfers, over 6000 of their 9000 staff having transferred from the public sector
- Transferring some staff from the council could lead to a loss of knowledge that would limit options for delivery in the future
- Some staff may not wish to transfer to Amey and may choose to seek alternative employment outside of the partnership

## ***Integrated services model***

### **The model in action – Gloucestershire Highways**

The integrated services model is based on Gloucestershire County Council's partnership with Atkins. This is in its second year and is considered by both partners to be a success.

A number of highways-related contracts were due for renewal and the county council wanted to respond more effectively to changing national and local drivers by developing the highways service. The council used a negotiated tender process and were looking for a single provider of services, flexibility in contract arrangements and an opportunity to have a fresh look at service provision. Its objectives were:

- To put GCC as a top 5 transport authority in England

- ❑ Safer Roads, Better Journeys
- ❑ Serve the people that live and travel in Gloucestershire
- ❑ To provide:
  - Customer focussed service delivery
  - Service excellence at an affordable price
  - Continuous improvement
  - Innovation
  - Safety for all

The integrated service brought together people from Halcrow, Ringway, Gloucestershire County Council, Gloucester City Council, Atkins and Cheltenham Borough Council who are either employed by Atkins or the County Council.

There are two intriguing aspects to the partnership: an integrated service delivery team and an integrated management structure.

Gloucester Highways has a mixed staff of Atkins and Gloucestershire County Council employees. Some jobs are specifically identified as council jobs but, in the main, joint teams are encouraged and valued.

The manager of Gloucestershire Highways manages this joint team and is responsible to GCC for performance and to Atkins for profitability.

The council has recently achieved a 4 star CPA rating and its Environment service score has improved from 2 star in 2005 to 4 star and Gloucestershire Highways has been an important part of this improvement.

**Key features of the contract are:**

The contract is based on an NEC contract initially let for 5 years with extensions to 7 and 10, performance a key determinant. The deal features term maintenance work and schemes up to value of £500k services delivered at cost. Delivery at cost is demonstrated by open book accounting. Profit is only earned through the achievement of targets. These are agreed annually and included in the service delivery plan. Profit is earned by meeting strategic goals and operational performance measures:

- ❑ strategic performance measures include:
  - User satisfaction with the network
  - User satisfaction with the service
  - Reduction in KSIs – people and children
  - Hit LTP targets and APR target score
  - BVPI scores for road and footway condition
  - Deliver Gershon efficiency savings
- ❑ 26 operational performance measures cover:
  - Predictability

- Serviceability
- Safety
- Sustainability
- Customer Satisfaction
- Culture

Each performance measure has a payoff curve which is designed so that achieving the required level of performance is stretching.

There is no penalty for failure except loss of profit.

Targets can be reviewed and changed to reflect changes in circumstance (e.g. responding to major emergencies such as the flooding in 2007).

There is a pain/gain mechanism with target prices which are updated to reflect any proven efficiencies.

**Management arrangements are:**

Single manager for integrated service – three-way contract (council and contractor both parties), seconded to council

- responsible to the contractor for profitability and to the client for performance - if the service plan is constructed correctly these objectives should be aligned
- council head of service
- member of directorate management team
- subject to all the requirements of council (e.g. reporting to cabinet/scrutiny)
- line manages both council and contractor staff (circa 400)

Service plan the key delivery mechanism for the integrated service and reward mechanism for the contractor

- objectives and targets set by a supervisory board (council cabinet members, council director, contractor director), but included in contract for year 1
- uses council performance management system
- the construction of the service plan is crucial

Contract management resource is small - ensuring that the contract terms are being followed, that the mechanisms are working and monitoring performance

This model delivers more efficient services – better services for less – by establishing improvement targets for service outcomes and cost.

**Principles underlying the analysis**

This section describes the principles underlying the integrated services model. These have been used to develop the analysis of the model's potential to meet the Herefordshire service delivery review objectives.

The features of the model that have been used as assumptions in analysing how it meets our objectives are:

- There will be a management structure that integrates the Contractor's general manager and Council's service manager roles with all staff reporting to this role. Staff would be contracted to both Amey and the council by virtue of their original employer or personal choice.
- The rest of the organisation has been divided into two groups: service delivery roles and foundation roles - policy development, strategy, contract management and those roles that the council wants or needs to perform itself
- In Gloucestershire the service only delivers highways and, as Gloucestershire is a county council, the range of services within highways is not as wide as in Herefordshire.
- All staff will retain their current employer
- The interface between the service delivery and foundation organisation will be set at the strategic level
- A small contract management team will be created to ensure quality and value for money and police the terms of the contract
- Services will be delivered at cost
- Service performance success will be measured by a set of performance indicators agreed between the Council and Amey – these may change over time by agreement of the controlling board
- The council will be responsible for defining and prioritising the performance indicators and ensuring that they are in line with its priorities; performance indicators would have thresholds identifying unacceptable levels of performance and exceptional levels of performance
- Achievement of levels of performance will be rewarded by payment of profit and exceptional performance by 12 month extensions to the contract – the current contract will have 5 years to run in September 2008
- The foundation staff within the council will define strategy and manage the contract

## **Strengths and weaknesses**

### **Strengths**

- Clear accountability for service delivery
- Single, integrated service delivery team
- Governance structure that reflects that within the Council
- Relationships with local communities and parish councils reflects that of the Council
- Good incentives for performance – in proportion to the level of achievement

- No requirement to tupe staff

### **Weaknesses**

- More HR support would be required
- Integration could be slower than through TUPE
- Amey performance will depend on mixed teams including council staff
- Works paid for at cost does not drive efficiencies
- Achieving cultural change could take longer

### **Method**

#### ***Improved business as usual***

The improved business as usual model will include:

- Those savings identified as part of the service delivery review that do not depend on the delivery model
- Any savings that can be made as a result of agreed changes to scope
- Any other savings that can be made by improved implementation of the current arrangements – potentially by implementing bonuses and penalties to encourage good behaviour
- Service delivery improvements from the ten improvement tasks

#### ***MAC***

A feasible organisational structure has been created. This structure has been developed jointly by Herefordshire Council and Amey in consultation with the relevant Heads of Service.

This process has been followed to ensure that the proposed structure is capable of delivering the services as now but with an integrated service delivery organisation. An appropriate level of contract management has been included in the costing.

The integrated services model will include savings and service improvements identified in the business as usual together with:

- Changes in staffing levels identified in the analysis of organisational structure
- Improvements expected from the watchman scheme
- Reinvestment of any savings above those required by the service delivery review
- Better alignment of service delivery with service objectives through more effective and more flexible performance management

#### ***Integrated Services***

The differences between the MAC model and the integrated services model are:

- A mixed staffing model
- An integrated management structure



The analysis therefore uses the analysis of the service delivery organisation created for the MAC model. To this the following elements have been added:

- Additional HR support for the mixed staffing model
- Integrated management structure replaces separate Amey and council structures
- Different contract management structure may be required



## **Appendix C**

### **Summary of method used in the estimation of potential savings and staff implications of models considered during Phase 2 of Service Delivery Review**

The likely staff implications of the three model options were developed jointly with Amey based on experience in Herefordshire and Bedfordshire, together with an understanding of the Gloucestershire Highways. Consideration was given to the resources required to deliver the same level of service in the different models. Staff implications and likely savings have been assumed to be broadly similar between the Managing Agent and Integrated Services model.

#### **Staff implications**

##### ***Managing Agent / Integrated Services Models***

Appropriate functions and associated number of posts were identified from each of the partner organisations (Herefordshire Council, Amey Wye Valley, Amey Consulting). An assessment was made of the number of posts that would be required to deliver an integrated approach using the Bedfordshire model whilst making adjustments for the differences present within Herefordshire. An allowance was made for a number of posts that would be required to support the client contract and partnership management arrangements. This process allowed the estimation of the level of reduction in posts that could be achieved across the partnership.

##### ***Improved Business as Usual***

An assessment was made of the areas of service where improved partnership working within the current contractual framework could reduce duplication and improve efficiency. A marginal reduction in the number of posts required to deliver the same level of service was identified.

#### **Consequential Financial savings**

**NOTE: All staff related savings were calculated based on salary plus on costs at 26.5% of salary.**

##### ***Managing Agent / Integrated Services Model***

Three methods of assessing staff savings were used to ensure a more realistic comparison. Firstly the average salary of staff affected from each of the partners was calculated and multiplied by the number of staff reduction identified. An allowance was made client management costs. The second method banded existing staff and made a direct comparison between the sum of the median of these bands with the sum of the median of the bands of the proposed integrated approach. This allows any variations in grades that might arise from the current to proposed model to be factored in. Thirdly the sums of the average bands of proposed functions were compared with the actual current costs. As the actual costs are higher (data not available for Amey Consulting) this method returns a saving a higher potential saving.

**Estimated Potential Savings were identified as a range of £400,000 - £650,000**

##### ***Improved Business as usual***

The potential financial savings were calculated based on existing costs of post within the partnership taking into account the current level of costs associated with the use of Agency staff in certain areas.

**Estimated potential savings were identified as £200,000**



## **Appendix D – Amey Capability Statement**

Amey was founded in 1920 and has been part of Ferrovial since 2003. From its origins as a materials supplier and highways contractor, Amey has evolved to provide integrated business and infrastructure services with an impressive PFI and PPP capability. We operate in local government, strategic highways, aviation, central government, defence, education, and rail markets. Services range from the management of large scale transportation infrastructure to the delivery of professional and back office services, all of which are underpinned by leading-edge technology and a genuine partnering philosophy.

We work with local authorities across the UK, providing a range of infrastructure and environment related services that include: delivering and supporting transport infrastructure; tailoring and providing solutions to enhance the local environment, and; providing and managing property related, education and community facilities. We bring extensive experience and transferable skills that Local Authorities can use both to help deliver its own corporate and local strategies and to meet the challenges of Government policy initiatives.

Working through locally-based teams, we operate at over 100 locations across the UK supporting communities by helping to create better, safer and more pleasant neighbourhoods through provision of well designed streets, well maintained grounds, modern public lighting, integrated highway design, management and maintenance, property improvement and maintenance solutions. The location and customers of our partnerships are shown at Appendix 1

We employ approximately 9,000 employees.

Turnover for 2007 was £1.4 billion with profitability at £75 million

We hold a prestigious contract with the Home Office to carry out property services on sites supporting the Home Office and Ministry of Justice. The contract spans five years, with a possible two-year extension.

The contract involves cleaning & housekeeping; mechanical & electrical maintenance; grounds maintenance; catering & hospitality; waste management; reception management; portering; security; energy management; minor and project works management. Amey will carry out the work in London, the South East and Anglia.

Presentations on our capability to deliver highways, property, grounds and support to infrastructure development, have been given to groups of Council staff. Copies of the slides are attached as Appendix 2 **(to be added to final draft)**.

### **Ability to Deliver Organisational Change**

Our approach in Herefordshire would be similar to that we adopt at the commencement of any new contract.

We will produce a mobilisation plan based on the information we have gained through service delivery, participating in the Service Delivery Review and by discussions with client and operational services staff, and deliver that plan using current and transferred staff, heavily supported by Amey staff from all relevant functions across the business.

We will expand the current project team based at Thorn and it will remain in place until the end of the mobilisation period. Typically this would be 4 to 5 months after the start

of the new arrangements, but the team would not be withdrawn until we were satisfied that it had completed its task. The role of our team would be to support a smooth integration, transition to Amey systems and procedures and ensure service delivery. Members of the team would cover the following areas:

- **Project Management**
- **Customer Relations**
- **Human Resources**
- **Finance**
- Health and Safety
- Quality and Environment
- **Operational Management**
- Fleet and Plant
- Performance Management
- Business Analysis
- IT
- Procurement
- Communications
- Depots

The roles shown in bold would be the core team, supplemented by the other roles at appropriate stages.

The team will be led by experienced Amey manager, familiar with the services being delivered in Herefordshire and with relevant senior level experience in a local authority. They would be accountable for the delivery of the mobilisation but also acting as mentor to the transferring staff.

We recognise that mobilisation is a difficult time for transferring staff and we take great care select Amey support staff who are sensitive to their needs and feelings. Building effective relationships at an early stage is crucial in ensuring an effective start up.

The following is a demonstration of how the integrated approach we propose for Herefordshire has delivered improvements in Bedfordshire.

At the start of the Bedfordshire Highways contract Bedfordshire County Council's CPA star rating was 0, the Bedfordshire CC / Amey partnership working was instrumental in raising this to a 3 star rating by 2007. This performance was nationally acknowledged as 'one of the fastest improving Authorities in Local Government history'

The Environment Directorate are currently predicting that their individual CPA rating for 2008 will be 4 stars.

In the first year of the Contract a survey sent to all parish councils resulted in 57.9% of Parish Councils being satisfied with the BH services, in 2007 a repeat of this survey showed this had risen to 70.9% and in the latest survey this has been further improved to 72.4%. This is a very good indicator of performance in an area where Bedfordshire CC residents rated Highways as their number one concern in a survey undertaken in 2006.

Bedfordshire Highways has developed and enhanced its performance as a 'One Stop Shop' for highway related matters, recognising the need for service transformation that meets the needs of all its valued citizens, businesses and providing a better deal for the taxpayer. This has resulted in significant improvements to road conditions across Bedfordshire

Bedfordshire Highways were highly commended in the LGC Public and Private Partnership Awards

In summary;

- Bedfordshire CC is now ranked 9<sup>th</sup> out of 388 authorities for % PI improved in last 3 yrs
- 86% of PI's have improved in the last 3 yrs (This is a sustained improvement as figures for last year indicate 60% of PI's improved over the previous year)
- An efficiency saving of 23% was achieved on first year budgets due to the groundbreaking contract with Amey
- The Department of Transport rated Bedfordshire CC 'excellent' in a national survey on managing congestion
- In 2007/08 57km of carriageway was resurfaced with low noise surfacing, this brings the total since the start of the contract to 374km. (i.e. over 17.5% of Bedfordshire's roads)

## **View on Deliverability of the Identified Savings**

### ***Integrated Approach***

We have worked closely with Council staff to tailor the highways delivery model we have successfully implemented in Bedfordshire to the specific characteristics and needs of Herefordshire. In doing so we have been prudent in our assumptions on staff savings. We regard the savings currently identified as a minimum and believe that by working co-operatively with the Council further savings can be achieved.

The modest saving identified for grounds maintenance has been agreed with Council staff and is also achievable.

We have been unable to engage constructively with the Council's property managers but believe that the draft structure we have proposed is viable and would deliver the identified savings.

Savings other than staff, particularly third party income from insurance claims, have been derived by extrapolating from our experiences elsewhere. Again we have been prudent with our assumptions and are confident that they are deliverable.

### ***Improved Business as Usual***

The very modest staff savings are deliverable but only with the proviso that the Council is able to change its culture from the prevailing "contractual relationship" to one of partnership. We recognise that, as a relic of the Jarvis approach, the behaviour of some Amey staff also needs changing. Our Interim Manager, Mark Thomas, is actively working on this with his team.

## **Commitment to Working Openly and in Partnership**

We already give Herefordshire Council full visibility of business plans and performance of Amey Wye Valley through the Council's representation on the Joint Venture Board. At an operational level costing information is made available on request. The difficulty AWVL had in providing information from the period under Jarvis ownership has been removed with the introduction of the SAP system earlier this year.

We have extensive experience of operating contracts using Target Costs, Gain/Pain and Sharing and Open Book Accounting and are committed to giving total visibility to the Council of all our operations in Herefordshire i.e. including Amey Consulting (formerly Owen Williams).

Target costs at the start of a scheme or a project are developed using a number of routes including:

- An agreed schedule of rates
- An agreed method of measurement
- A detailed Bill of Quantities
- A variation mechanism

Target costs will be agreed between the parties prior to the commencement of the works.

We employ a number of methods to ensure that the prices that are used to derive the target cost are sustainable and offer best value for the Council. Methods employed include:

Benchmarking against other contracts

Checks against managed works contracts

Checks against pricing books

Comparisons against previous similar schemes

Our supply chain quotes will be assessed, in accordance with our existing integrated management system (IMS) procedures, on the best combination of quality, capability, price and resources.

Our central system for accounting and management, SAP, supports works management and budgetary control. SAP is used to capture all costs and allocate them to individual works orders. The SAP works order cost details will be available to the Council on an Open Book arrangement so that there is full visibility of costs. This open book approach is vital for the efficient working of a Target Cost approach.

Amey operates a number of Gain/Pain and sharing arrangements, such arrangements encourage and incentives both parties to reduce costs throughout the process from identification of a scheme through to completion. Sharing mechanism can be linked to actual time or cost parameters which are all monitored and available for interrogation at any time by both parties through the open book approach.

We have experience of working within a wide range of gain/pain arrangements all of which have benefits for both parties. In general terms we find that that the most suitable arrangements are one where there is a stepped increase to the gain and pain thresholds.

We will use our group wide SAP system for cost capture and reporting. Costs will be allocated on an individual works order bases including time charges, subcontractor costs and materials. The SAP cost data will be made available to the Council as and when requested so that progress and actual costs can be monitored at any time. Our SAP costing system allows for a full drill down to individual time sheets and invoices for materials and subcontractors to allow full visibility.

Costs on individual schemes are updated on a daily basis which means that individual schemes are monitored regularly against the agreed target price. This process allows for the site commercial and operational team to monitor closely the actual expenditure on the Projects. The contract management team will then be able to identify any significant budgeted cost variations are identified and mitigation measures to be put in place. Our central single point cost capture and reporting mechanism allows for a rapid and timely review of the progress of each Project.



## Company Aims, Policies etc

Amey seeks to be the provider of choice for integrated business and infrastructure services to the public sector

At Amey we're very proud of the things we do, and we're equally proud of the way in which we do them; in this respect we are guided by our values.

These values are not a collection of fashionable phrases from management textbooks and they're not a set of 'orders' cascaded down from our senior management. They are words drawn directly from hundreds of hours of interviews, surveys, and conversations with Amey people about what they think, feel and believe about our company.

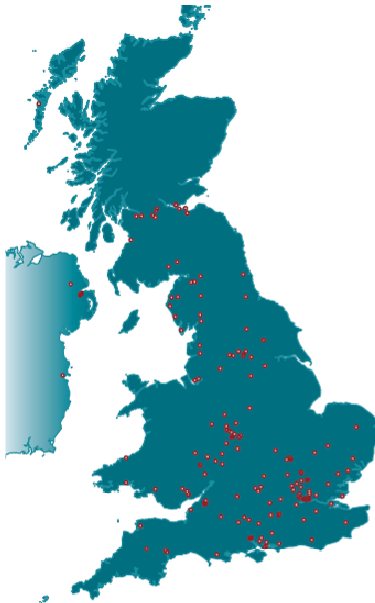
These are the things we believe in. This is how we do things.

|                                 |   |
|---------------------------------|---|
| <b>Customers</b>                | Service so good our customers become and stay loyal Amey fans.                          |
| <b>Powerful team</b>            | On our own we're good.<br>As a team we're outstanding                                   |
| <b>Protecting people</b>        | Caring for our people, the public and the environment.                                  |
| <b>Performance &amp; profit</b> | Achieving unbeatable performance and results, aiming to do even better.                 |
| <b>Winning</b>                  | Winning for me, for the team, for our company.<br>Above all, winning for our customers. |

Amey operates a comprehensive set of policies which largely mirror those of Herefordshire Council. Attached as an example, as Appendix 3 is our policy on Equality and Diversity. All our policies are available should Herefordshire Council wish to see them.



## Our Successful Partnerships



| Local Government             | Central Government   |
|------------------------------|----------------------|
| <br><br><br><br><br><br><br> | <br><br><br><br>     |
| Strategic Highways           | Rail                 |
| <br><br><br><br><br><br>     | <br><br><br><br><br> |





Title: Equality and Diversity Policy

Ref.: PLC-EXEC-008

Rev: 4.0 Date: June 2006

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**Service Delivery Review Phase 2 Report Appendix D – Amey Capability Statement Appendix C**



Title: Equality and Diversity Policy

Ref.: PLC-EXEC-008

Rev: 4.0 Date: June 2006

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not liable for the contents of this document.

This document is applicable throughout  
Amey plc.

## TITLE

# EQUALITY AND DIVERSITY POLICY

|             |             |   |                     |                       |
|-------------|-------------|---|---------------------|-----------------------|
| 04          | June 2006   | This Policy has replaced Equal Opportunities with a major rewrite | A. Springett        | G. Duggan             |
| 03          | July 2005   | Annual Review   | G. Duggan           | M. Ewell              |
| 02          | Sept. 2003  | Annual Review. Changed CEO  | R. Wells            | M. Ewell              |
| 1           | Sept. 2000  | Issued for Use  | J Buchanan          | BL Staples            |
| 0           | May 2000    | Drafted.  |                     |                       |
| <b>Rev.</b> | <b>Date</b> | <b>Amendment</b>  | <b>Approved By:</b> | <b>Authorised By:</b> |



## Principle

Amey plc is committed to being a fair and inclusive employer which bases all employment decisions solely on merit. We will not tolerate unlawful discrimination against an individual on the basis of their gender, race, nationality, age, disability, religion or belief, sexual orientation, gender reassignment or any other irrelevant factor.

We value all differences within the workplace and consider both visible and non-visible differences to be key in developing an innovative and creative working environment. We recognise the benefits that a diverse workforce can bring in understanding the needs of a diverse customer and client base.

We are committed to complying with relevant employment legislation and codes of practice as a minimum benchmark. Wherever possible we strive to exceed legislative requirements by developing policies and procedures that help us to achieve our aim of being an Employer of Choice.

### It is the express policy of Amey plc that:

- All employment related decisions will be fair and transparent, based solely on merit and ability to meet the requirements of the job. This applies to external recruitment, internal selection and promotion, performance appraisal and training.
- Data relating to the composition of the workforce will be updated regularly to ensure that all management information is accurate.
- We will create a working environment where all employees are valued and respected for their unique contribution to the business and are not subject to inappropriate behaviour.
- Immediate action will be taken against any employee, contractor, supplier or agency worker who does not comply with this policy and who does not behave in a way that promotes equality and diversity.

## Supporting Actions

### Recruitment and Selection:

- Advertisement of vacancies will aim to be inclusive of all potential applicants by using a variety of media.
- All job descriptions and selection processes will be based solely on skills and attributes that are relevant to the role.
- All staff involved in selection processes will undergo training in the principles of fair selection.

### Employment:

- Terms and conditions of employment and provision of benefits will not unfairly disadvantage any particular groups.
- Access to training, development and promotion opportunities will be equal for all and selection for these will be based solely on merit.



### **Procurement:**

- We consider the principles of equality and diversity to be a mainstream business issue and as a consequence will request that all suppliers/contractors demonstrate their commitment to the policy area when transacting with Amey.

Seven supporting policies sit beneath Amey's overarching Equality and Diversity Policy. These follow existing/forthcoming legislation and are designed to protect employees from discrimination on the basis of:

- Race
- Gender
- Disability
- Religion/Belief
- Sexual Orientation
- Age
- Gender Re-assignment

We will not tolerate discrimination, harassment, or victimisation on the grounds of any of these issues.

### **Relevant Definitions**

**Direct discrimination:** Less favourable treatment on the grounds of race, gender, disability, religion/belief, sexual orientation, age or gender reassignment.

**Indirect discrimination:** An apparently neutral condition that is applied equally to everyone but has a detrimental impact on a particular group.

**Harassment and bullying:** Any unwanted behaviour that has the effect of violating dignity or creating an intimidating, hostile, degrading, humiliating, or offensive environment. This includes jokes or banter and extends to work related environments such as work social events.

**Victimisation:** Unfavourable treatment specifically as a result of the individual making a claim or complaint of discrimination.

**Mel Ewell**  
Chief Executive



**SCRUTINY DEVELOPMENT PLAN 2008/09****Report By: Assistant Chief Executive - Legal and Democratic****Wards Affected**

County-wide

**Purpose**

1. To consider a Scrutiny Development Plan for 2008/09.

**Financial Implications**

2. Not identified but will have to be accommodated within existing budgets.

**Background**

3. A Scrutiny Improvement Plan was previously put in place in June 2006 and the actions in the main completed by June 2007. An informal meeting of Members of the Committee took place in April 2008 at which possible elements of a further scrutiny development plan for 2008/09 were discussed.
4. A summary of the principal views expressed at that informal meeting is appended together with a draft development plan. The draft plan is based around the four principles of good scrutiny as defined by the Centre for Public Scrutiny. The Plan reflects areas where it is recommended to continue to develop and improve on arrangements already in place, some areas which it was thought worth revisiting to see if development could take place and several new areas.

**RECOMMENDATION**

**THAT the Committee considers whether it wishes to adopt the Scrutiny Development Plan 2008/09 as appended to the report.**

**Background Papers**

- None



**NOTE OF PRINCIPAL ISSUES RAISED AT INFORMAL MEETING OF MEMBERS OF THE STRATEGIC MONITORING COMMITTEE – 25 APRIL 2008.**

| <b>Subject</b>   | <b>Development Plan Reference or other action</b> |
|--|---|
| <b>Reporting</b>   |   |
| The quality of documentation submitted to Members needed to be substantially improved and the volume reduced. Reports should be in plain English, concise and to the point. Reference should be made to more detailed supporting papers, where appropriate. Save in exceptional circumstances, the reasons for which should be spelt out, papers should not present only one option. Instead, the pros and cons of meaningful options should be set out concisely. | <b>4.2</b>  |
| Exception reporting should be used– helping Scrutiny to focus on the key issues on which Members might comment to Cabinet  | <b>4.2</b>  |
| Members should be enabled to drill down to gain a better understanding of the reasons for under-performance, such as whether there were the necessary staff with the right skills and other resources. Members should also be given a clear picture of the expected or actual impact of policies and programmes on the ground.   | <b>1.4</b>  |
| Arrangements needed to be strengthened for tracking reports to Scrutiny, work in progress, the recording of questions and issues raised at meetings, and actions being taken in response.  | <b>Democratic Services to action.</b>             |
| There was a need to consider and have greater regard to the contribution Town and Parish Councils could make to development of policy and programmes and the monitoring of their impact.   | <b>2.1 and Directors to be notified.</b>          |
| <b>Structural Issues</b>   |   |
| That the interrelationship and communication between Cabinet and SMC was not working effectively.  | <b>Assistant Chief Executive</b>                  |
| The functional areas covered by Cabinet portfolios, Directorates and Scrutiny Committees were not aligned. This should be considered.  | <b>Assistant Chief Executive</b>                  |
| <b>Member Development</b>  |   |
| There was a need for a more rigorous and consistent approach to providing training for Members in the scrutiny role. This needed to be allied to raising officer awareness of the role of Scrutiny within the Council.   | <b>3.6 &amp; 3.7</b>                              |
| More work should be done to develop information on the skills, knowledge and expertise of Councillors to ensure that these were  | <b>Democratic Services</b>                        |

|  |  |
|--|--|
| employed to best advantage and, where necessary, enhanced.   |  |
| There was support for work shadowing, with Members accompanying officers on day to day work to gain insight. This would have the corresponding benefit of improving officers' knowledge of Councillors and their role, including their relationship with constituents.   | <b>Directors to be notified</b>                          |
| It was important to engage all members of the Scrutiny Committees in the work of the Committee and in questioning at meetings rather than leaving a few members to lead all the questioning.   | <b>Chairman and Vice-Chairmen of Scrutiny Committees</b> |
| A member survey regarding scrutiny should be undertaken but not until next year, by when the improved arrangements could fairly be tested. There should also be a survey of officers.  | <b>3.3 &amp; 3.4</b>                                     |
| There was support for a programme of visits to other authorities but the timing of these visits in the life-cycle of the administration was important and should not take place close to an election. Visits in 2008/09 would therefore be appropriate.  | <b>3.2</b>   |
| <b>Work Programmes</b>   |  |
| The proactive overview role for Scrutiny Committees, allowing them to input before decisions were made and make an effective contribution to policy and programme development, needed to be enhanced. This could only happen if the timetable for Cabinet's consideration of policies and programmes was made known in good time and sufficient time allowed for Scrutiny to consider matters fully. | <b>1.3</b>   |
| Scrutiny of the public service arrangements for better joint working with the PCT should be deferred to allow those responsible for introducing them to do so, with Scrutiny then examining how these were operating in a few months' time.  | <b>Added to Work Programme</b>                           |
| The need to prepare well for Comprehensive Area Assessment, already encompassed in the Work Programme, was reinforced.   | <b>Reports programmed in the Work Programme.</b>         |

## Scrutiny Development Plan 2008/9

### Abbreviations:

CSMC – Chair, Strategic Monitoring Committee  
 RB – Robert Blower  
 TB – Tim Brown  
 CSC– Sian Clark  
 TG - Tony Geeson  
 MH -Martin Heuter  
 SM Steve Martin  
 AM – Alan McLaughlin  
 SR – Sonia Rees  
 SH – Scrutiny Handbook

|          | Action to be taken   | Lead    | By When<br>(end of month) | Outcome/Success<br>Criteria   | Progress to date |
|----------|--|---------|---------------------------|---|------------------|
| <b>1</b> | <b>Providing Critical Friend Challenge</b> – to improve: effectiveness of challenge to the Executive; impact on the work of the Executive; challenge to corporate strategy and budget; involvement of external partners in scrutiny; effectiveness of relationship with the Executive and senior management. |         |                           |   |                  |
| 1.1      | Cabinet Members to make annual presentation to relevant Scrutiny or Strategic Monitoring Committee presenting future plans, identifying key issues, reviewing past performance, highlighting areas of good practice/success, and summary of scrutiny impact.   | CSMC/TB | June/July 08              | Presentations made and effective action taken by the executive in response to points made by the Scrutiny Committees, with areas for follow-up or more detailed scrutiny also identified. |                  |
| 1.2      | Informal meetings of SMC to continue to improve the role of Scrutiny.  | CSMC/TB | June 06                   | Six monthly meetings scheduled and proposed improvements put into effect. September/ March)   |                  |
| 1.3      | Review use of the Forward Plan in identification of issues for scrutiny.   | AM/CSC  | July 08                   | Increased involvement for scrutiny in a proactive role demonstrated by extent to which  |                  |

|     | <b>Action to be taken</b>   | <b>Lead</b>                   | <b>By When<br/>(end of month)</b> | <b>Outcome/Success<br/>Criteria</b>   | <b>Progress to date</b> |
|-----|---|-------------------------------|-----------------------------------|---|-------------------------|
| 1.4 | Influence further improvement of Integrated Performance and Finance Reports for consideration by SMC and referral to each Scrutiny Committee as required, testing the quality of the reports.   | SM                            | April 09                          | Integrated Performance report on each relevant SMC agenda. Evidence of (i) whether reports have improved; (ii) the adoption of SMC recommendations by Cabinet; and (iii) the referral of relevant individual items to individual Scrutiny Committees, together with the impact made as a result to improve performance. |                         |
| 1.5 | Provide progress reports on major issues each service area faces, how performance compares with comparable local authorities, what progress is being made, what obstacles there are, and how it is proposed these are to be overcome, with Scrutiny Committees considering whether there are any issues that merit further scrutiny. (see also 4.1) | TG/SM/TB / relevant directors | April 2009                        | Improvements made as a result of scrutiny.  |                         |
| 1.6 | Ensure meaningful involvement in the budget making process in line with the provisions of the Performance Improvement Cycle.  | SR/TG/SM                      | February 2009                     | Impact of SMC on budget decisions, including recommendations to Cabinet.  |                         |
| 1.7 | Hold workshop on how scrutiny can interact  | TG/SR                         | September                         | Demonstrate   |                         |

|           | <b>Action to be taken</b>  | <b>Lead</b> | <b>By When (end of month)</b> | <b>Outcome/Success Criteria</b>  | <b>Progress to date</b> |
|-----------|--|-------------|-------------------------------|--|-------------------------|
| 1.8       | with corporate and financial planning and integrated performance and finance report processes and consistently and effectively scrutinise them.<br>SMC to oversee all Scrutiny Committee work plans to monitor levels of consideration being given to corporate priorities and major risks. Annual Review and update to take place. Updates in-year to be reported to SMC as they occur. Explore varied approach to scrutiny, light touch and one-off challenges. (see also 3.5) | CSMC/TB     | Quarterly                     | improvement in quality and impact of scrutiny. e.g.adoption of scrutiny recommendations. . .<br>Standing item to SMC. Improvements to quality of work programmes and use of range of approaches. |                         |
| <b>2.</b> | <b>Reflecting the voice and concerns of the public and its communities</b> – to improve: how the work of scrutiny is informed by the public; how scrutiny makes itself accessible to the public; how scrutiny communicates internally and externally;  |             |                               |  |                         |
| 2.1       | Seek views from the public and partners including Town and Parish Councils and citizen's panel on what should be scrutinised. Supplement this with an annual work plan event.  | MH/RB       | March 2009                    | Event held. . No of possible topics identified/progressed – and the impact these have on policies and programmes.  |                         |
| 2.2       | Develop a communications strategy for scrutiny (to include protocols and guidelines to ensure a consistent approach in publicising the activities and outcomes of Scrutiny, improved/updated Scrutiny Web presence, improved media coverage, include-section in Herefordshire matters, press releases prepared at beginning and  | RB/TB       | December 08                   | Strategy in place and operating effectively. Item in Herefordshire Matters and response to that. Number of Reviews publicised. Positive media coverage   |                         |

|           | Action to be taken   | Lead     | By When (end of month) | Outcome/Success Criteria   | Progress to date |
|-----------|--|----------|------------------------|--|------------------|
|           | end of scrutiny reviews including when final report is presented to Committee (include photographs of Chairman/Review Group Members).  |          |                        | of the impact of reviews.  |                  |
| 2.3       | Produce and publicise Scrutiny Annual Report   | TB/RB    | July 2008              | Report published and publicised – circulated to all Members.<br>Positive media coverage.                             |                  |
| <b>3.</b> | <b>Take the lead and own the scrutiny process</b> – to improve: the political impartiality of scrutiny; scrutiny ownership of its own work programme; scrutiny members' views that they have a worthwhile and fulfilling role; the development of a constructive working partnership with officers including support arrangements for scrutiny |          |                        |  |                  |
| 3.1       | Produce revised Scrutiny Handbook with clear guidelines and protocols on the scrutiny processes.   | TB       | September 08           | Handbook produced, disseminated and guidance consistently adhered to.  |                  |
| 3.2       | Hold enquiry visits for scrutiny members to Staffordshire, Warwickshire and Cardiff.   | AM/TG/TB | October 2008           | Visits held by October 2008, outcome documented and learning shared with members and Officers and improvements made. |                  |
| 3.3       | Undertake survey of Scrutiny Members to establish satisfaction with the scrutiny process to date, and to establish Member enthusiasms/ideas for future work programmes.  | SM       | May 2009               | Survey undertaken, findings reflected in scrutiny development programme and implemented successfully.                |                  |



|     | Action to be taken   | Lead               | By When (end of month)    | Outcome/Success Criteria  | Progress to date |
|-----|--|--------------------|---------------------------|---|------------------|
| 3.4 | A survey of officers also to be conducted.   | SM                 | April – May 2009          | Survey undertaken, findings reflected in scrutiny development programme and implemented successfully.   |                  |
| 3.5 | SMC to continue to co-ordinate annual work programmes of all scrutiny committees, and review quarterly.(See also 1.8 above                                   | TB                 | Quarterly                 | Standing item on SMC agenda.  |                  |
| 3.6 | Investigate appropriate training/development courses.(eg Inlogov).<br>Establish Worcestershire CC's training programme for Members and Officers in Scrutiny. | SM<br>CSC/TB<br>TB | September 2009<br>July 09 | Revised training and development programme in place and implemented, with evidence of its positive impact on the effectiveness of scrutiny.                       |                  |
| 3.7 | Include Scrutiny in induction programme for managers.  | Human Resources    | August 2008               | Included in programme and improved understanding demonstrated, e.g. through improved satisfaction of scrutiny members with the quality of reports and discussion. |                  |
| 3.8 | Scrutiny Task Group Chairs to present  | AM/CSC/TB          | April 2009                | Number of reports   |                  |

|           | Action to be taken   | Lead    | By When (end of month) | Outcome/Success Criteria  | Progress to date |
|-----------|--|---------|------------------------|---|------------------|
|           | reports in person to Cabinet or Full Council.  |         |                        | presented and appropriate action being taken by Cabinet / Council . |                  |
| <b>4.</b> | <b>Make an impact on service delivery</b> – to improve: how the scrutiny workload is co-ordinated and integrated in to corporate processes; the evidence available to show that scrutiny has contributed to improvement; how well information required by scrutiny is managed. |         |                        |   |                  |
| 4.1       | Scrutiny Chairs to agree a revised work programme focussing on priority areas for improvement, taking account of views of other Scrutiny Committee Members, Cabinet Members and Directors, and views of the public and other partners(see 1.5 and 2.1 above).                  | CSMC/TB | September 2008         | Programmes strengthened and outcomes documented in Annual Report    |                  |
| 4.2       | Ensure Committee's requirements regarding quality of reports are being met.  | CSMC    | April 2009             | Members satisfied with the quality of reports.                      |                  |

## PROCUREMENT STRATEGY 2008

**Report By: Strategic Procurement and Efficiency Manager**

### Wards Affected

County-wide.

### Purpose

1. To consider the updated Procurement Strategy.

### Financial Implications

2. An effective Procurement Strategy can make a considerable contribution to the Council's overall financial position.

### Background

3. "Procurement" is the process of acquiring goods, works and services from third parties. The process spans the whole life cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset. It includes options appraisal and the critical "make or buy" decision. An appropriate strategy helps deliver this activity in an effective manner.
4. On 10th March SMC noted that the strategic and operational importance of the procurement process be formally recognised given capacity issues within this function. It also felt the expansion of this role should be supported with an expectation that the executive address this in the near future. This is being taken forward in a joint piece of work involving the West Midlands Centre of Excellence who have agreed to fund a review covering the way the procurement function is organised. The outcome may shape the way the procurement function is provided.

### The Strategy

5. Successful implementation of the updated Procurement Strategy will help the Council achieve both cashable and non-cashable benefits. Cashable benefits contribute towards reducing future budgetary pressures. It also provides evidence that the Council places great importance on striving to achieve value for money.
6. Implementing this strategy will ensure improvements to the way the Council performs its procurement activities and to deliver better procurement outcomes and tangible benefits.
7. The strategy plays a key role supporting the Annual Efficiency Statement process and supports the delivery and capture of benefits throughout the Connects programme.
8. The strategy updates the 2007 document and is designed to define the approach that must be followed by officers and be a point of reference whilst providing guidance on all procurement related activity.

9. It encompasses and reinforces all the corporate policies that need to be taken in to consideration before, during and after the procurement process.
10. It is not intended to be a procedure manual. Other documents will provide this detail and will be available via the Intranet. One of the key changes since 2007 is the "Mini Guide to Procurement" (see Appendix B). This is available to officers needing guidance on procurement decisions.
11. It is the responsibility of the Strategic Procurement and Efficiency Manager to implement and monitor the effectiveness of the strategy, and to update it accordingly as and when required. Compliance with the strategy will also be monitored.
12. The Comprehensive Spending Review 2007 set a target of 3% annual cashable savings from April 2008 and successful implementation of this updated strategy will significantly contribute to this target. At the same time it will reinforce the Council's commitment to achieving value for money and this will feed into the Use of Resources section of Comprehensive Performance Assessment.

## **RECOMMENDATION**

**THAT Strategic Monitoring Committee comments on the updated Procurement Strategy**

### **BACKGROUND PAPERS**

- Procurement Strategy 2007

### **APPENDICES**

- Appendix A - Procurement Strategy 2008
- Appendix B - Mini Guide to Procurement

# Procurement Strategy 2008



HEREFORDSHIRE  
COUNCIL

## **Contents Page**

### **1. Introduction**

|     |                         |        |
|-----|-------------------------|--------|
| 1.1 | Introduction            | Page 3 |
| 1.2 | Commissioning           | Page 4 |
| 1.2 | Purpose of the Strategy | Page 4 |
| 1.3 | Objectives              | Page 5 |
| 1.4 | Benefits                | Page 6 |

### **2. Routine Procurement**

|     |                                     |         |
|-----|-------------------------------------|---------|
| 2.1 | General Principles                  | Page 6  |
| 2.2 | Purchasing Guidance and Regulations | Page 7  |
| 2.3 | Consortia and Joint Negotiations    | Page 7  |
| 2.4 | E-Procurement                       | Page 8  |
| 2.5 | Purchasing Cards                    | Page 10 |

### **3. High Value/Strategic Procurement**

|     |                                    |         |
|-----|------------------------------------|---------|
| 3.1 | General Principles                 | Page 10 |
| 3.2 | Legal Framework                    | Page 10 |
| 3.3 | Tender Evaluation                  | Page 11 |
| 3.4 | Partnership Working                | Page 11 |
| 3.5 | Project Management                 | Page 12 |
| 3.6 | Performance Improvement            | Page 12 |
| 3.7 | Strategic Procurement Forward Plan | Page 12 |

### **4. Risk Assessment**

|     |                               |         |
|-----|-------------------------------|---------|
| 4.1 | Risk Management and Insurance | Page 14 |
|-----|-------------------------------|---------|

### **5. Employment Matters**

|     |                          |         |
|-----|--------------------------|---------|
| 5.1 | Consultation             | Page 15 |
| 5.2 | Transfer of Employees    | Page 15 |
| 5.3 | Training and Development | Page 15 |

### **6. Environmental and Sustainable**

|     |                              |         |
|-----|------------------------------|---------|
| 6.1 | Environmental Considerations | Page 15 |
| 6.2 | Sustainable Procurement      | Page 16 |

### **7. Equalities and Diversity**

### **8. Benefit Card**

|  |            |         |
|--|------------|---------|
|  | Appendix 1 | Page 19 |
|  | Appendix 2 | Page 21 |

# 1. INTRODUCTION

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## 1.1 Introduction

1.1.1 For the purpose of this strategy the procurement process is defined as:

“The whole process of acquisition from third parties and in-house providers, covering goods services and works. The process spans the entire life cycle from initial concept and definition of business need to the effective management of markets, through to the end of the useful life of an asset or end of services contract. It involves options appraisals and the critical “make or buy” decision which may result in the provision of services in-house in appropriate circumstances”.

1.1.2 From the definition it is clear that procurement embraces the whole of the supply chain from identifying a need to making a payment i.e. the procure to pay cycle is one process.

1.1.3 Procurement is more than just the process of buying things. It covers the whole process from the initial identification of a need for a good service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending a contract.

1.1.4 Procurement is a critical process for ensuring that the Council meets the needs of the community whilst achieving maximum value for money. The public may not distinguish between in-house services and those provided by contractors but poor procurement can lead to a loss of public confidence in our ability to deliver excellent and cost effective public services.

1.1.5 The Government issued a new national procurement strategy in October 2003 and this was incorporated into the Gershon Efficiency Agenda. The national strategy has a number of key milestones associated with it. The Council’s procurement strategy will keep in step with the expectations of this national strategy and will perform periodic health checks against the progress made in meeting the expectations of the national strategy.

1.1.6 Nine procurement “Centres of Excellence” have been set up around the country to help to develop expertise, capacity and networking within England. Herefordshire Council is aligned with the West Midlands based Centre of Excellence (WMCOE) which comprises the 38 local authorities in the region. The Council works closely with WMCOE and has engaged in a joint assessment process.

1.1.7 The Council must focus upon procurement as a major means of reducing the budgetary pressures it will face in the future. The National e-Procurement Project has outlined the potential cost savings that could be made as a consequence of local authorities modernising their procurement processes. The project recognised that councils need to examine the effectiveness of their procurement, manage their supply chain more effectively, use technology and collaborate more in order to unlock the benefits of effective procurement. The project recognises that it will take time for authorities to make savings as they re-organise service delivery and overcome previous shortcomings.

## **1.2 Commissioning**

1.2.1 Procurement is an element of the commissioning process and any procurement activity must assess where it sits in a wider context. Commissioning is about understanding and anticipating future needs and opportunities, setting ambitions, making best use of resources, working in partnership, building capacity in the market, and monitoring experience and changing circumstances to enable continuous service development. It is a process in which the expertise, skills and knowledge of volunteers and paid employees can be knitted together.

1.2.2 Commissioning falls into four stages: analyse, plan, do and review.

### **a) Analyse**

When analysing, mapping and forecasting both need and supply, the process must take into account national requirements and link with local circumstances. At this point any risks should be identified. This stage is crucial to defining the current position, what improvements needs to be made and how the process will deliver improved outcomes.

### **b) Plan**

This stage requires agreement about priorities and outcomes, being imaginative about how services can be delivered, allocating resources, looking at service design to increase understanding of service costs and value for money.

Planning requires strategic as well as collective decision making involving a range of stakeholders.

### **c) Do**

This stage covers the process of procurement, contracting with a supplier, service delivery and managing and communicating changes. Purchasers and providers need to be clearly separated.

### **d) Review**

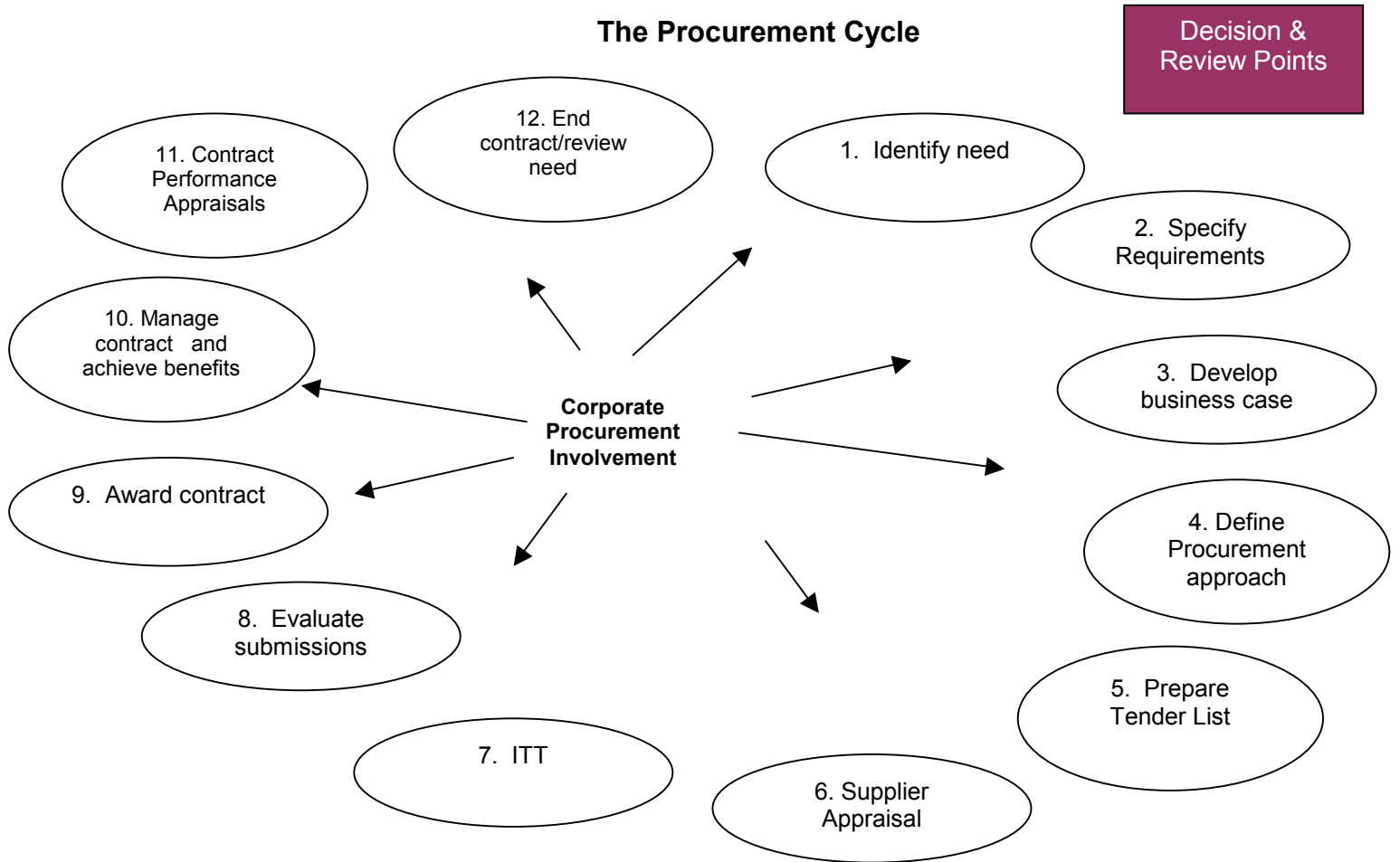
Successful delivery must include a review to monitor and evaluate changing need. This stage should use feedback from service users to challenge and scrutinise the process and outcomes.

## **1.3 Purpose of the Strategy**

1.3.1 This document aims to provide a framework for the full range of procurement activity carried out across the Council and ensure that procurement planning reflects the Council's corporate standards and objectives.



- 1.3.2 This will provide an opportunity to co-ordinate current processes and to identify and act on improvements to ensure that best value is being obtained consistently when goods and services are purchased. It sets out areas for strategic consideration and development.
- 1.3.3 It should be noted that this document is not a procurement manual. Best practice procedures and documents are to help develop a toolkit via the intranet available to all staff.
- 1.3.4 Training needs analysis will take place and the most appropriate method chosen to meet these needs.



## 1.4 Objectives

- 1.4.1 The objectives of this strategy are as follows:
  - a. To evaluate and improve current procurement practices to achieve better value for money and ensure customer/client needs are met.
  - b. To ensure good practice examples and processes are identified and applied consistently across the organisation.

- c. To integrate procurement activities into other strategies adopted by the Council and to ensure that corporate objectives are addressed holistically.
- d. To ensure that current and future procurement activities are planned, monitored and reviewed effectively.
- e. To identify opportunities for working with others, both public and private sector, to widen the scope for maximising purchasing power and VfM and identifying innovation and efficiencies.

## **1.5 Benefits**

1.5.1 In taking this strategy forward, the Council can expect to realise the following benefits: -

- a. Improved value for money;
- b. More efficient procurement;
- c. Consistent, compliant and best practice procurement processes;
- d. Better risk management;
- e. Better project planning;
- f. Closer integration of the Council's overall objectives and business plans; and
- g. Consistent application of the Council's key policies.

## **2. ROUTINE PROCUREMENT**

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### **2.1 General Principles**

- 2.1.1 Procurement of low value items by individual budget holders accounts for a significant proportion of the Council's expenditure when aggregated across the whole range of Council services. Whilst flexibility needs to be maintained to ensure that budget holders can respond to their own requirements, there needs to be sufficient co-ordination to allow good practices to be shared, benefits to be accrued for economies of scale and targets and improvements to be identified and achieved.
- 2.1.2 Procurement must be result focussed i.e. meeting the Council's objectives, ensuring customer needs are satisfied and achieving value for money.
- 2.1.3 The procurement strategy notes that the Council welcomes the use of local enterprises and business for the supply of goods and services. Clearly this must be through the use of the

existing procurement framework but the Council will investigate taking steps to provide electronic access to forthcoming tenders.

## **2.2 Purchasing Guidance and Regulations**

2.2.1 The Council's purchasing guidelines are currently contained within Standing Orders and Financial Regulations. These include the contract standing orders for the Council and they govern the way contracts are let.

2.2.2 Adherence to these regulations is mandatory for all Council employees.

2.2.3 Both the Data Protection Act (DPA) and the Freedom of Information Act (FOI) have implications for procurement. Under the DPA we are required to keep personal information private. Under FOI we are required to make non-personal information available to the public. Guidance on these Acts is available on the intranet and from Legal Services.

2.2.4 The primary objective of the Council's Standing Orders and Financial Regulations is to ensure that all contracts for works, services and supplies are entered into by the Council in a manner which: -

- a. secures the best possible value for money; and
- b. is demonstrably free from impropriety

2.3.5 For more information regarding Standing Orders and the regulation of contracts see Appendix 5 of the Council's Constitution. The Intranet Info library address is as follows:

**Corporate essentials / corporate / constitution / appendices / 5**

2.3.6 For more information on Financial Procedure Rules see the Intranet Info library at:

**Corporate essentials / corporate / constitution / appendices / 4**

## **2.3 Consortia and Joint Negotiation**

2.3.1 Any procurement activity becomes more powerful when shared with other local authorities, agencies and private sector partners to identify areas of common interest. There are a number of local authorities that have joined together to share expertise, realise administrative efficiencies and economies of scale for mutual benefit.

2.3.2 The Council owns a quarter share of West Mercia Supplies purchasing consortium (WMS) and as a result receives a significant dividend each year which makes a valuable contribution to the overall budget. It is vital that the Council employees use WMS appropriately and do not purchase outside of this arrangement for the agreed products and services.

2.3.3 A purchase from a non WMS supplier is on an exception only basis and cannot proceed unless agreed by the Head of Financial Services of the Strategic Procurement and Efficiency Manager.

- 2.3.4 The Strategic Procurement and Efficiency Manager will investigate opportunities for utilising purchasing consortiums such as OGC Buying Solutions where beneficial to the Council.
- 2.3.5 Herefordshire is a member of the Joint Procurement Group consisting of Worcestershire County Council, Telford and Wrekin Council and Shropshire County Council. Opportunities for joint working and best practice sharing are discussed on a regular basis.

## **2.4 E-Procurement**

- 2.4.1 E-procurement is more than simply automating the purchase order and invoice payment process. It is about using the technology available to improve the effectiveness of the whole supply chain.
- 2.4.2 The Council is in the process of identifying as part of the Herefordshire Connects programme:
- a. How the procurement process can be further automated and streamlined through the application of Business Process Re-engineering (BPR)
  - b. Maximising the use of BACS (electronic transfer of monies into bank accounts) for payments to suppliers and contractors
  - c. Electronic tendering and e-sourcing allowing placing of supplies contracts on line with the opportunity for tenders to be returned electronically
  - d. How particular suppliers could meet the requirements for e-procurement given the variety of systems individual organisations operate, for example the sharing of electronic data on supplier databases.
- 2.4.3 The development of “e” initiatives is aimed at bringing down the cost and time of purchasing processes and transactions for the Council and its suppliers. It will also help control how the Council spends its money and drive compliance around corporate contracts.
- 2.4.4 The following diagram outlines the e-procurement options available in the sourcing-managing-ordering-paying cycle of procurement. The Council will as part of Herefordshire Connects explore the opportunity of exploiting e-procurement technology to reduce the cost and improve the efficiency and effectiveness of all aspects of the procurement process for the Council.

## CONTROLLING

## BUYING

ACTIVITY

SCENARIO

TASKS

SOLUTION TYPE

|  | Sourcing  | Managing  | Ordering  | Paying   |
|--|---|---|---|--|
|  | A local authority (LA) puts in place corporate contracts with suppliers.  | The local authority reviews and negotiates contracts when necessary   | A LA employee wants to purchase goods (or services). They contact the supplier, place an order and later take delivery.   | The supplier invoices the LA and the LA Finance department arranges payment.   |
|  | <ul style="list-style-type: none"> <li>➤ Define requirements</li> <li>➤ Identify potential contractors</li> <li>➤ Compile tender list</li> <li>➤ Perform due diligence on suppliers</li> <li>➤ Ensure best contract price and Service Level Agreement is</li> </ul> | <ul style="list-style-type: none"> <li>➤ Review existing supplier contracts</li> <li>➤ Monitor and assess performance of existing suppliers</li> <li>➤ Renegotiation contracts</li> </ul> | <ul style="list-style-type: none"> <li>➤ Authority</li> <li>➤ Budget cover</li> <li>➤ "licensed to order"</li> <li>➤ Select goods or service</li> <li>➤ Place an order with the supplier</li> <li>➤ Receive the goods or services and complete delivery note</li> </ul> | <ul style="list-style-type: none"> <li>➤ The supplier invoice is received by the local authority</li> <li>➤ Invoice approval process</li> <li>➤ LA arranges payment of the invoice via LA accounting system</li> </ul> |
|  | <p>Reverse auction</p> <p>e-tender</p> <p>Bid evaluation tools</p>  | <p>Contract Management</p> <p>Management information</p>  | <p>e-market place</p> <p>Back-office order system</p> <p>Supplier websites</p> <p>Content management</p>  | <p>e-invoicing</p> <p>Procurement card</p> <p>BACS</p>   |

The overall strategy will be incremental, ensuring that risk is minimised whilst opportunities for business gain are developed and realised over time. However, some level of risk is inevitable if we are to take maximum advantage of cutting edge technology.

## **2.5 Purchasing Cards**

- 2.5.1 Opportunities for introducing procurement cards are available for areas with an operational requirement for flexibility of ordering that a p-card can provide. P-cards should complement the procure to pay ordering system and would only be adopted where the purchasing need cannot readily be serviced by the electronic ordering system. P-cards would help reduce the transaction process costs and also offer a flexible but controlled way of spending the Council's money.

## **3. HIGH VALUE/STRATEGIC PROCUREMENT**

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### **3.1 General Principles**

- 3.1.1 Fewer transactions are likely to meet the criteria under this category of procurement. This is because each contract tends to be of a high expenditure level and carry far higher risks if the project is not completed successfully e.g. a construction contract or tendering for the provision of a service. Strong support and guidance, therefore, needs to be in place.

### **3.2 Legal Framework**

- 3.2.1 High value projects are likely to be covered by the European Union (EU) procurement regulations and any lack of compliance with the legal requirements could open the Council to costly legal appeal. All decisions must be transparent, objective and auditable. The EU processes specify different routes according to the type of procurement and the Council must provide clear support on the legal framework.
- 3.2.2 In response to Part 1 of the Local Government Act 1999 the Council can now take account of certain "non-commercial" matters when determining contracts. Under Compulsory Competitive Tendering councils could not take such matters into consideration during the tendering process. Under the replacement Best Value requirement this prohibition has been removed enabling authorities to take into account such items as the terms and conditions of the workforce.

### **3.3 Tender Evaluation**

3.3.1 The Council has to develop corporate guidance on the selection criteria to be applied when awarding contracts. Typically these will include;

- a. Price, including whole life cost
- b. Quality
- c. Plans for service improvements
- d. Empathy with the Council's objectives and core values
- e. Skills and capabilities
- f. Investment required
- g. Impact on employees innovation
- h. Shared risk/reward
- i. Staffing issues including TUPE arrangements
- j. Environmental issues
- k. Equality and diversity
- l. Health and safety issues
- m. Previous contractual performance
- n. Quality of tender documentation
- o. Clear compliance with specification

### **3.4 Partnership Working**

3.4.1 Partnering is more about the approach undertaken than a specific method of procurement. The Council is committed to working with public, private and voluntary sector organisations to develop co-operative procurement arrangements and develop supplier effectiveness. Exploring further opportunities to work in partnership and achieve benefit from sharing resources, skills and expertise, will evidence this commitment.

3.4.2 Partnering is a term widely used within both public and private sectors but has no commonly agreed definition. The aim of partnering is for clients and service providers to work together to achieve best value for all parties by adopting a flexible and motivated approach unrestrained by artificial barriers and in a non-confrontational manner. Ideally, the partnership will be underpinned with a formal contract, processes and procedures document in which the ethos of the partnership is captured.

3.4.3 The partnering model enables customers and service providers to work together sharing risk, cost savings, innovations and best practice. The relationship is built on mutual respect and the trust that develops between customer and supplier at strategic and operational levels and enables the sharing of skills, knowledge and research. Where quality is enhanced, life cycle costs are driven down and customer satisfaction remains high.

- 3.4.4 Partnering principles will be applied to individual projects. There is a growing number of successful project partnering initiatives which the Council may embrace to develop best practice. However, to maintain momentum and build on the learning and culture change that has taken place, it is increasingly important for the Council to extend these partnering principles to more strategic alliances covering
- a. Programmes or phases of work
  - b. Work which is more difficult to define precisely in advance such as building maintenance
  - c. Initiatives whose priorities will develop over time requiring flexible structures
  - d. Projects where a solution has yet to be defined such as regeneration or redevelopment projects
  - e. Initiatives where construction is only a part of the solution and the partnership may extend into the operation of a facility or series of facilities, for example the Private Finance Initiatives.

### **3.5 Project Management**

- 3.5.1 Procurement undertaken in this category needs to be managed to formal project management principles, with responsibilities clearly outlined and plans in place setting targets, milestones, timescales and resources required for successful completion. This applies not only to tendering processes but also to the performance of the contract once in place to ensure the desired results are achieved and the Council's objectives met. Any project should consider the training given to key employees undertaking this work to ensure that the appropriate project management skills are in place.
- 3.5.2 Before the start of any procurement project a business case must be completed to define the desired benefits and the approach to achieving them. Successful completion of the business case will lead to a project manager being appointed to the project for its duration.

### **3.6 Performance Improvement**

- 3.6.1 Achieving continuous performance improvement is an essential objective for each and every one of the Council's services. Effective procurement needs to be recognised, where appropriate, as a tool that can be used to achieve this.
- 3.6.2 Use of appropriate management information and contract management techniques is essential if continuous improvement is to be achieved.

### **3.7 Strategic Procurement Forward Plan**

- 3.7.1 Any procurement strategy needs to have a role in the forward planning of strategic procurement reviews. This provides a framework for the realisation of benefits from implementation and aligns contract renewal dates for goods and services internally. This will also help identify collaboration opportunities with other public sector organisations.



- 3.7.2 Each directorate should have a Strategic Forward Procurement Plan will be created for each Directorate to ensure that the authority maximises the opportunities for procurement savings in future years.
- 3.7.3 The forward plan is driven by a number of triggers that may stimulate the inception of a procurement project. These are depicted in the diagram below: -



- 3.7.4 The forward plan considers a number of drivers for example:-
  - a. Renewal dates for large strategic contracts
  - b. Market opportunities and maturity
  - c. Opportunities for investigating new financial models for the procurement of services
  - d. Poor performance of services/best value reviews
  - e. Analysis of internal spend
  - f. Analysis of non-pay expenditure
- 3.7.5 All strategic procurement exercises will be project managed under the PRINCE2 project methodology which will be led by the project manager. Each will undertake an options analysis comparing all or some or a hybrid of the following procurement options:-
  - a. Tradional procurement
  - b. Partnering
  - c. PFI/Public Private Partnership

- d. Outsourcing
- e. In house service provision

3.7.6 The options analysis will cover the following; -

- a. Cost
- b. Service Quality
- c. Risk
- d. Deliverability
- e. Timescales
- f. Funding
- g. Practicality
- h. Legal/Statutory Requirement

3.7.7 Once the details have been collated for the forward plan it will be split into three sections: -

- a. Strategic Procurement Reviews/Duty of Best Value
- b. Commodity Procurement
- c. Contract Reviews

## **4. RISK ASSESSMENT**

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### **4.1 Risk Management & Insurance**

- 4.1 The procurement of services or the identification of a partner to deliver such services will always include a measure of risk to the authority. The Corporate Risk Manager will assist in reviewing those risks before final decisions are made and should accordingly be involved in the process from the embryonic stage of any such project. Reviewing the risks and how they can be controlled often opens up opportunities and should be seen as a positive part of the procurement process.
- 4.2 The Council's Risk Management Policy and Guidance document is available on the intranet and should be used as a basis for considering the risks during the procurement process.
- 4.3 Insurance implications are often left to last in the matters to be considered, however there can be a danger in this as inadequate insurance arrangements can put a project on hold whilst insurers consider the current levels of cover against those required. Again as soon as a procurement process is considered the insurance section should be contacted for advice.

## **5. EMPLOYMENT MATTERS**

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### **5.1 Consultation**

- 5.1.1 In accordance with the Council's policies and procedures relating to managing change in employment, employees affected must be kept informed of procurement developments and their comments sought and fully considered.
- 5.1.2 Trade unions will also be consulted as appropriate.
- 5.1.3 A consultation timetable will be drawn up early in the process

### **5.2 Transfer of Employees**

- 5.2.1 Where outsourcing is an option, this will be undertaken in accordance with current employment legislation (for example TUPE) and best practice. Separate guidance is available on the personnel info library page on the intranet.

### **5.3 Training and Development**

- 5.3.1 A substantial amount of procurement carried out within the Council is not managed by purchasing professionals and, therefore, the skills required need to be properly identified and met. This will include the project and contract management skills referred to earlier as well as competency in appraising suppliers, carrying out tendering processes, negotiations and risk management.
- 5.3.2 Where new processes are adopted e.g. use of payment cards or on-line procurement or changes to guidance/standing orders, training requirements need to be identified as part of the changes proposed.
- 5.3.3 Training needs will be identified, and a training plan created to cover these training needs through the Procurement Exchange Group led by the Strategic Procurement and Efficiency Manager.
- 5.3.4 The Procurement Exchange Group replaces the Contract Officer Monitoring Group, and gives greater opportunity for two way procurement information exchange and acts as an internal network for all procurement related activity and initiatives.

## **6. ENVIRONMENTAL AND SUSTAINABLE PROCUREMENT**

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### **6.1 Environmental Conditions**

- 6.1.1 The whole Council and all contracts are bound by the Council's environmental policy commitment to 'use its influence to actively encourage responsible environmental practice by

suppliers and contractors'. The Council's Constitution states that, "the Council's strategic policies must be taken into account, for example in relation to protecting the environment." (Appendix 5: Contracts Procedure Rules, 1.2.iii)

- 6.1.2 In procurement optimising value for money calls for the choice of the bid that offers the best combination of whole life costs and benefits to meet the Council's requirements. This is not necessarily the lowest initial price option and an assessment of the ongoing revenue, resource and disposal costs, as well as the capital investment and financing costs. The Council's requirements relating to social, environmental, sustainability and other strategic objectives should be defined at the earliest stages of the procurement cycle.
- 6.1.3 Whatever method of procurement is used, the Council must ensure that providers of services work to environmental standards equivalent to those set within the Council and are made aware of relevant requirements. This may be achieved both by contractual means and through advice, support and guidance.

## **6.2 Sustainable Procurement**

- 6.2.1 Sustainable Procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, while minimising damage to the environment." *Procuring the Future* (Sustainable Procurement Task Force, June 2006).
- 6.2.2 There is a compelling business case for making procurement spend more "sustainable".
- 6.2.3 There are financial benefits for the council. Savings can be realised through the design and construction of buildings with lower through-life operating costs, better management of demand (including re-use, recycling and standardisation) and the acquisition of products that are more efficient in their use of energy, water and material resources.
- 6.2.4 The environmental imperative is clear, particularly the need to reduce CO2 emissions and the amount of waste going to landfill.
- 6.2.5 Socio-economic benefits range from the creation of employment and training opportunities for the long-term unemployed and people with disabilities.
- 6.2.6 Through better coordination of demand across local government and the wider public sector, and engagement of key suppliers at a strategic level, public purchasing power can be improved. This also stimulates product and process innovations that deliver improved environmental performance and further savings.
- 6.2.7 Intelligent public procurement can also capture innovation from small businesses and third sector organizations (TSOs) while realising wider benefits for local communities. This includes their engagement in the supply chains for major projects.
- 6.2.8 The Council should work towards purchasing sustainable and renewable goods and services wherever feasible and effective.

## **7. EQUALITIES AND DIVERSITY**

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- 7.1 All Herefordshire residents have a right to expect that public money is spent on services which suit their needs, and that it is spent in a way which promotes equality of opportunity and delivers high quality goods and services.
- 7.2 Legislation now requires the authority to eliminate unlawful discrimination. Where an external supplier carries out our functions for us, we remain responsible for meeting this duty. Therefore it is vital to take issues of equality into consideration when:
- a. Providing services;
  - b. Purchasing services;
  - c. Employing staff; and
  - d. Working in partnership with other organisations.
- 7.3 It is key that we demand the same commitment from those who deliver services on our behalf.
- 7.4 When procuring or commissioning services, the Council will:
- a. Treat contractors and partners with dignity and respect.
  - b. Encourage applications from partners and contractors which represent the Herefordshire population.
  - c. Ensure that, in setting the standards for the services it procures, barriers for potential services users will be eliminated. These barriers may include affordability, language, physical accessibility, culture and attitude.
  - d. Ensure that individuals and organisations providing services on its behalf are aware of the Council's Comprehensive Equality Policy and understand their responsibility for implementing it.
  - e. Ensure that the services it provides and those provided on its behalf are monitored to ensure fairness, equity and accessibility for all.
  - f. Ensure that the organisations it commissions comply with all equalities legislation and do not unlawfully discriminate as an employer or service provider.
  - g. Use whatever opportunities the law allows to ensure that those providing the Council with works, goods or services or providing services on the Council's behalf, accept a commitment to equality and monitor their own performance in the area.
  - h. Provide diversity training sessions for partners' employees.
  - i. Encourage contractors to agree to further voluntary steps to promote equality after the contract has been awarded.

- 7.5 When providing services on behalf of the Council, partners will:
- a. Treat Council officers and members of the public with dignity and respect.
  - b. Ensure that everyone providing, receiving or benefiting from the service are treated fairly and without discrimination (on whatever grounds), either directly or indirectly, and will put systems in place to monitor these criteria.
  - c. Ensure that barriers to accessing services are removed, including physical, communication and attitudinal barriers.
  - d. Make every effort to consult, involve and encourage the participation of the diverse communities of Herefordshire to ensure equitable service delivery.
  - e. Comply with all relevant diversity legislation and reflect the Council's values of "service with integrity, empathy and equity".
  - f. Provide such information as the Council may reasonably request for the purpose of assessing the partner's compliance with the above conditions.
  - g. Ensure that staff providing the service have diversity training and understand their responsibilities in regards to the councils commitment to diversity and relevant equality legislation.

## **8. BENEFIT CARD**

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- 8.1 In 2007 the Herefordshire Connects Board identified the need for a simple mechanism for managing the benefits realisation programme. As set out in the original Medium-Term Financial Management Strategy, cash savings realised through the Herefordshire Connects programme are to be treated as a corporate resource for investment in corporate priorities.
- 8.2 In the interests of simplicity the Council has one mechanism for identifying, approving and monitoring delivery of benefits for all change programmes (not just Herefordshire Connects). This approach also helps us manage the corporate efficiency agenda. Key to the process is agreeing the level of investment in the project (if any is required), the benefits that will be delivered, the implications for the base budgets and accountability for delivery.
- 8.3 The standardised "Benefit Card" attached at Appendix 1 has been in place since 2007 and is used to collect the key information needed to manage the benefits that will flow from transformation projects such as Herefordshire Connects. Following sign-off, the Benefit Card is used to track changes in the base budgets and monitor delivery against agreed financial and service targets. A guide to what a completed Benefit Card might look like is given at Appendix 2.

| BENEFIT CARD                      |   |  |   |   |         |                                      |  |
|-----------------------------------|---|--|---|---|---------|--------------------------------------|--|
| <b>SUMMARY</b>                    | <b>Benefit</b>                          |  | Provide a brief description of the proposed benefit here          |   |         |                                      |  |
|                                   | <b>Change programme</b>                 |  | Name of the change programme the benefit relates to               |   |         |                                      |  |
|                                   | <b>Link to change programme</b>         |  | Describe how the benefit supports the change programme objectives |   |         |                                      |  |
|                                   | <b>Link to corporate priorities</b>     |  | Describe how the benefit supports corporate priorities            |   |         |                                      |  |
|                                   | <b>Efficiency gains</b>                 |  | Describe the nature of the efficiency gains                       |   |         |                                      |  |
|                                   | <b>CMB Sponsor</b>                      |  | Name the individual and give post title                           |   |         |                                      |  |
|                                   | <b>SMT Sponsor</b>                      |  | Name the individual and give post title                           |   |         |                                      |  |
|                                   | <b>Officer responsible for delivery</b> |  | Name the individual and give post title                           |   |         |                                      |  |
|                                   | <b>Financial Services Officer</b>       |  | Name the individual and give post title                           |   |         |                                      |  |
|                                   | <b>Business Change Manager</b>          |  | Name the individual and give post title                           |   |         |                                      |  |
|                                   | <b>Reference number</b>                 |  | Referencing system to be devised                                  |   |         |                                      |  |
|                                   | <b>CURRENT PROCESS</b>                  | <b>Description</b>   |   | <b>Current / Planned Performance</b>    |         | <b>Current Revenue Budget (£000)</b> |  |
| Describe the current arrangements |   | Describe current and planned performance as per relevant corporate or service delivery plan in current and future years. |   | 2007/08                                 | 2008/09 | 2009/10                              |  |
|                                   |   |  |   | <b>Revenue Budget Code:</b>             |         |                                      |  |
|                                   |   |  |   | <b>Current Capital Budget (£000)</b>    |         |                                      |  |
|                                   |   |  |   | 2007/08                                 | 2008/09 | 2009/10                              |  |
|                                   |   |  |   | <b>Capital Budget Code:</b>             |         |                                      |  |
|                                   |   |  |   |   |         |                                      |  |
| <b>Description</b>                |   | <b>Performance Improvement</b>   |   | <b>Revenue Investment Needed (£000)</b> |         |                                      |  |
| Describe the new arrangements     |   | Evidence improved levels of performance against indicators to show the stretch in performance that can be achieved       |   | 2007/08                                 | 2008/09 | 2009/10                              |  |
|                                   |   |  |   | <b>Revenue Budget Code:</b>             |         |                                      |  |
|                                   |   |  |   | <b>Capital Investment Needed (£000)</b> |         |                                      |  |
|                                   |   |  |   | 2007/08                                 | 2008/09 | 2009/10                              |  |
|                                   |   |  |   | <b>Capital Budget Code:</b>             |         |                                      |  |
|                                   |   |  |   |   |         |                                      |  |
| <b>Cashable Savings (£000)</b>    |   |  | <b>Non Cashable Savings (£000)</b>                                |   |         |                                      |  |
| 2007/08                           | 2008/09                                 | 2009/10  | 2007/08   | 2008/09                                 | 2009/10 |                                      |  |
| <b>Budget Code:</b>               |   |  | <b>Budget Code:</b>   |   |         |                                      |  |

|                            |  |                     |                    |
|----------------------------|--|---------------------|--------------------|
| <b>DEPENDENCIES</b>        | <b>Description</b>   |                     |                    |
|                            | Describe here what other things might need to be in place for the benefit to be realised   |                     |                    |
| <b>STAFFING RESOURCES</b>  | <b>Description</b>   |                     |                    |
|                            | List here who will support the officer responsible for the delivery of this benefit  |                     |                    |
| <b>TIMETABLE</b>           | <b>Task</b>  | <b>Planned Date</b> | <b>Actual Date</b> |
|                            | Sign-off of proposed benefit   |                     |                    |
|                            | Start of project   |                     |                    |
|                            | Target completion date   |                     |                    |
| <b>SIGN OFF</b>            | <b>Who</b>   | <b>Signature</b>    | <b>Date</b>        |
|                            | CMB Sponsor  |                     |                    |
|                            | SMT Sponsor  |                     |                    |
|                            | Officer responsible for delivery   |                     |                    |
|                            | Financial Services Officer   |                     |                    |
|                            | Business Change Manager  |                     |                    |
| <b>POST IMPLEMENTATION</b> | <b>Were the expected benefits delivered?</b>   |                     |                    |
|                            | This section needs developing but will need to ensure that we review benefits realised to assess whether expectations were realised and to capture further improvements. |                     |                    |



| <b>BENEFIT CARD</b>                     |  |                |  |                |   |                |                |
|---|--|----------------|--|----------------|---|----------------|----------------|
| <b>SUMMARY</b>                          | <b>Benefit</b>   |                | Reducing the amount of paper remittances sent to creditors and the number of payment enquiries from suppliers  |                |   |                |                |
|   | <b>Change programme</b>  |                | Herefordshire Connects   |                |   |                |                |
|   | <b>Link to change programme</b>  |                | Integrated Support Services  |                |   |                |                |
|   | <b>Link to corporate priorities</b>  |                | Organisational priorities on efficiency  |                |   |                |                |
|   | <b>Efficiency gains</b>  |                | Cost reduction and improved service efficiency   |                |   |                |                |
|   | <b>CMB Sponsor</b>   |                | Sonia Rees   |                |   |                |                |
|   | <b>SMT Sponsor</b>   |                | Mike Toney   |                |   |                |                |
|   | <b>Officer responsible for delivery</b>  |                | Alun Smith   |                |   |                |                |
|   | <b>Financial Services Officer</b>  |                | Greg Evans   |                |   |                |                |
|   | <b>Business Improvement Manager</b>  |                | TBA  |                |   |                |                |
|   | <b>Reference number</b>  |                | TBA  |                |   |                |                |
| <b>CURRENT PROCESS</b>                  | <b>Description</b>   |                | <b>Current / Planned Performance</b>   |                | <b>Current Revenue Budget (£000)</b>    |                |                |
|   | All remittances are printed, enveloped and posted to creditors and an average of 100 calls are taken on the payments enquiry number each week<br><br>Consumables including postages amount to £50k a year and approximately £5k staff time spent on dealing with payment queries |                | No current performance indicators  |                | <b>2007/08</b>                          | <b>2008/09</b> | <b>2009/10</b> |
|   |  |                |  |                | 55                                      | 55             | 55             |
|   |  |                |  |                | <b>Revenue Budget Code: yyxxxx</b>      |                |                |
|   |  |                |  |                | <b>Current Capital Budget (£000)</b>    |                |                |
|   |  |                | <b>2007/08</b>   | <b>2008/09</b> | <b>2009/10</b>                          |                |                |
|   |  |                | None   | None           | None                                    |                |                |
|   | <b>Capital Budget Code: n/a</b>  |                |  |                |   |                |                |
|   | <b>Description</b>   |                | <b>Performance Improvement</b>   |                | <b>Revenue Investment Needed (£000)</b> |                |                |
|   | Introduce an electronic means of sending remittances advices to suppliers by email or fax  |                | Year 1 – 25% electronic remittances and 25% reduction in payment queries<br><br>Year 2 – 50% electronic remittances and 50% reduction in payment queries<br><br>Year 3 – 75% electronic remittances and 75% reduction in payment queries |                | <b>2007/08</b>                          | <b>2008/09</b> | <b>2009/10</b> |
| 5                                       |  |                |  |                | None                                    | None           |                |
| <b>Revenue Budget Code: yyxxxx</b>      |  |                |  |                |   |                |                |
| <b>Capital Investment Needed (£000)</b> |  |                |  |                |   |                |                |
|   |  | <b>2007/08</b> | <b>2008/09</b>   | <b>2009/10</b> |   |                |                |
|   |  | None           | None   | None           |   |                |                |
| <b>Capital Budget Code: n/a</b>         |  |                |  |                |   |                |                |
| <b>Cashable Savings (£000)</b>          |  |                | <b>Non Cashable Savings (£000)</b>   |                |   |                |                |
| <b>2007/08</b>                          | <b>2008/09</b>   | <b>2009/10</b> | <b>2007/08</b>   | <b>2008/09</b> | <b>2009/10</b>                          |                |                |
| 12                                      | 25   | 37             | 1  | 3              | 4                                       |                |                |
| <b>Budget Code: yyxxxx</b>              |  |                | <b>Budget Code: yyxxx</b>  |                |   |                |                |

|                            |  |                     |                    |
|----------------------------|--|---------------------|--------------------|
| <b>DEPENDENCIES</b>        | <b>Description</b>                                       |                     |                    |
|                            | New ICT enabled procurement system needs to be in place. |                     |                    |
| <b>STAFFING RESOURCES</b>  | <b>Description</b>                                       |                     |                    |
|                            | Creditor payments team.<br>ICT technical support.        |                     |                    |
| <b>TIMETABLE</b>           | <b>Task</b>  | <b>Planned Date</b> | <b>Actual Date</b> |
|                            | Sign-off of proposed benefit                             | June 2007           |                    |
|                            | Start of project   | September 2007      |                    |
|                            | Target completion date                                   | December 2007       |                    |
| <b>SIGN OFF</b>            | <b>Who</b>   | <b>Signature</b>    | <b>Date</b>        |
|                            | CMB Sponsor  |                     |                    |
|                            | SMT Sponsor  |                     |                    |
|                            | Officer responsible for delivery                         |                     |                    |
|                            | Financial Services Officer                               |                     |                    |
|                            | Business Improvement Manager                             |                     |                    |
| <b>POST IMPLEMENTATION</b> | <b>Were the expected benefits delivered?</b>             |                     |                    |
|                            |  |                     |                    |

# Mini Guide to Procurement

## 1. How to use this Mini Guide

- 1.1 Use this mini guide whenever you are involved in procurement. It provides you with a quick check of the procurement processes you should follow when buying on behalf of Herefordshire Council. It does not replace the Contract Procedure Rules but provides a brief overview to help you to get started.

## 2. Important Issues

- 2.1 Before you start, check that the important issues have been considered – confirming the availability of budget provision; following guidelines on procurement ethics; aiming to achieve value for money; making best use of framework agreements and ensuring that the correct procurement procedures are carried out.

## 3. Questions to Consider

- 3.1 Look at the questions a procurer needs to ask – they will help you to make fundamental decisions about how to proceed. If you find that answers to any of these questions suggest areas of weakness, seek advice (see below).

## 4. Process Models

- 4.1 See the process models for the steps to take with contracts below a value of £10,000, contracts with a value between £10,000 and £50,000, and contracts with a value above £50,000. If you have a contract with a value greater than the current EU limits (£140,000) you must contact the Corporate Procurement Team. (Note: contract value is the total value of a contract, not annual value, excluding VAT).

## 5. Help and Advice

- 5.1 For sources of help and advice within the Council you can email the Strategic Procurement and Efficiency Review Manager (dhogan@herefordshire.gov.uk) or contact him on 01432 260043.

## 6. Questions a Procurer needs to ask...

- 6.1 Are the goods, services or works really required?
- 6.2 Do they contribute to the objectives of the Directorate and the Council?
- 6.3 Is a procurement necessary to acquire them? Could they be borrowed, shared or provided in-house?
- 6.4 Are they a priority? Could the money be better spent elsewhere?

## Mini Guide to Procurement

- 6.5 Is this the right time to make the procurement? Might resources be available later, might the market change, are there potential major risks that might become clearer?
- 6.6 What quality level is needed (rather than desired)?
- 6.7 What will be the total cost, including maintenance, consumables, installation, in-house management, etc?
- 6.8 Can the environmental impacts be reduced? - raw materials (using substitutes), running costs and emissions (being energy efficient), disposal (re-usable or recycled option).
- 6.9 Can the cost and resource implications of the procurement exercise be justified? Can the cost be reduced? Can it be included in a similar procurement elsewhere in the council?
- 6.10 Is the budget available?
- 6.11 Is the necessary technical expertise available in house? How can it be obtained?
- 6.12 Are the resources available for the procurement?
- 6.13 What are the latest developments in the market and might they benefit the Council?
- 6.14 Who will be affected by the procurement and how can they best be involved in the decision making process?
- 6.15 What are the risks affecting the procurement and how will these be managed?
- 6.16 Are you competent to carry out the procurement in order to meet all legal requirements and to achieve the best value for money for the Council?

### **7. Ten Top Tips for a Successful Procurement Process...**

#### **7.1 Spend Plenty of Time Planning**

- 7.1.1 Consider at the outset the full extent of who needs to be involved, what needs to be done, by whom, and by when. Seek advice from others.
- 7.1.2 Establish a complete procedure timetable from consultation period through to contract award, ensuring that adequate time is allowed.

# Mini Guide to Procurement

## 7.2 Establish Roles and Responsibilities

- 7.2.1 Establish roles and responsibilities of all involved.
- 7.2.2 Get everyone to contribute to the planning process.

## 7.3 Ensure Transparency of Proceedings

- 7.3.1 Be seen to be fair and conduct the process without favouritism.
- 7.3.2 Engage widely with stakeholders and existing contractors in advance of formal proceedings.
- 7.3.3 Get all internal players to contribute to the critical success factors and key evaluation criteria and record these!
- 7.3.4 Allow sufficient time for suppliers to submit tenders.

## 7.4 Observe Legalities

- 7.4.1 Ensure compliance with EC Procurement Directives, domestic legislation, Contract Procedure Rules etc. Seek legal advice and involvement in the process at the outset. You are initiating events that will result in a contract. It has to be legal!

## 7.5 Accommodate Innovation and Secure Best Value

- 7.5.1 Don't be too restrictive with suppliers. Don't be too prescriptive in how you want the work to be delivered. Describe the 'outcomes' you require.
- 7.5.2 Try to find ways specialist suppliers and contractors can contribute their expertise; allow tenderers to innovate and offer you their best solutions.
- 7.5.3 Make sure you secure Best Value, not just the lowest tender price.

## 7.6 Prepare Sound and Complete Tender Documents

- 7.6.1 Specify clearly what you want and describe in detail how tenderers are to price their submissions – and whether VAT is included.
- 7.6.2 Give thought to various pricing mechanisms (i.e. lump sum or schedules of rates) and how good these will be at accommodating change.
- 7.6.3 The more information you provide, the greater your chances of success.

## **Mini Guide to Procurement**

### 7.7 Consider Monitoring Payment Arrangements at the Outset

- 7.7.1 Be clear as to how payments are to be calculated. Make payments on time.
- 7.7.2 Establish monitoring procedures, which are required to satisfy the Council.
- 7.7.3 Consider default procedures, performance incentives and profit sharing.
- 7.7.4 Incorporate these processes into the tender documents.

### 7.8 Ensure Procedures Provide for Probity and Accountability

- 7.8.1 Ensure the whole process is documented and recorded, and that all key documents are signed, dated and retained.
- 7.8.2 Communicate all decisions to the whole team.

### 7.9 Think Before You Act

- 7.9.1 Review your plans before commencing and don't rush things.
- 7.9.2 Think, "What can go wrong?" and put possible contingencies in place.

### 7.10 Learn From the Process

- 7.10.1 Learn, experiment, and don't fear mistakes. Ask "How could it be improved next time?"
- 7.10.2 Develop your skills.

## **8. Formal Quotation and Tendering Process**

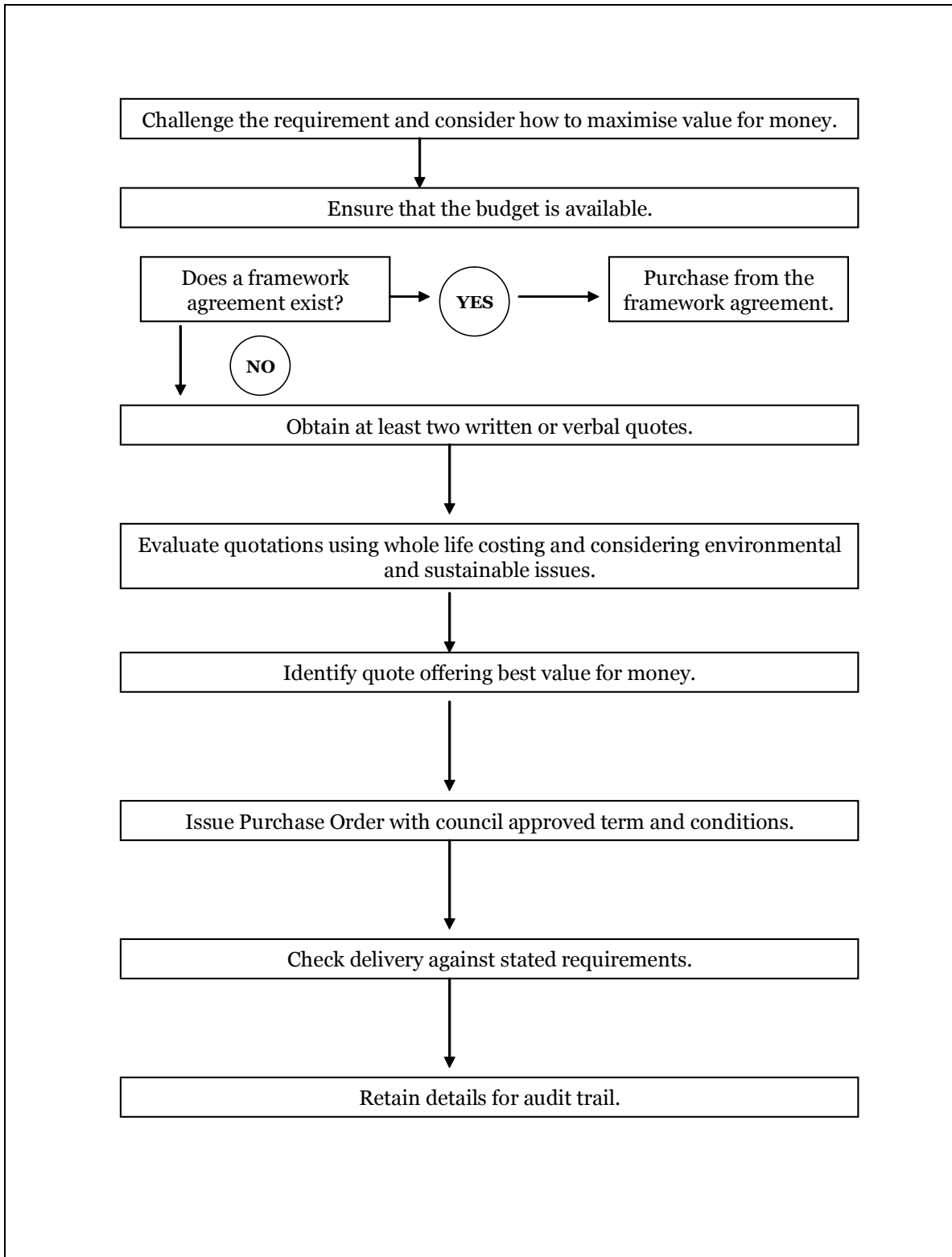
- 8.1 West Mercia Supplies (WMS) or their supply partners must be used for all purchases of office supplies and consumables, furniture, photocopiers, janitorial supplies and personal protective equipment.
- 8.2 Proposals to use an alternative supplier for such goods must be approved prior to an order being placed using a form prepared by the Strategic Procurement and Efficiency Review Manager.
- 8.3 Requests to use an alternative supplier to WMS will be approved or otherwise by the Head of Financial Services.
- 8.4 Failure to comply with the Council's policy on the use of WMS will lead to a corresponding budget reduction.

## Mini Guide to Procurement

- 8.5 Officers must also use Council approved strategic service delivery partners such as Amey Wye Valley Limited and Owen Williams where appropriate to do so.
- 8.6 Procurement of ICT equipment must be achieved using the Council's online procurement system
- 8.7 The following procedures must be followed for all other types of procurement:
- a) Purchases in total valued less than £1,000 – no requirement for formal quotations or tenders but officers must be able to demonstrate value for money has been obtained and that all other relevant aspects of the Council's Contract Procedure Rules have been followed.
  - b) Purchases in total valued between £1,001 and £10,000 – two formal quotations must be obtained (see attached flowchart).
  - c) Purchases in total valued between £10,001 and £50,000 – three formal quotations must be obtained (see attached flowchart).
  - d) Purchases in total valued between £50,001 and up to relevant EU limit – formal tendering arrangements must be followed (see attached flowchart).
  - e) Purchases in total valued in excess of relevant EU limit – European procurement rules must be followed (see attached flowchart).

# Mini Guide to Procurement

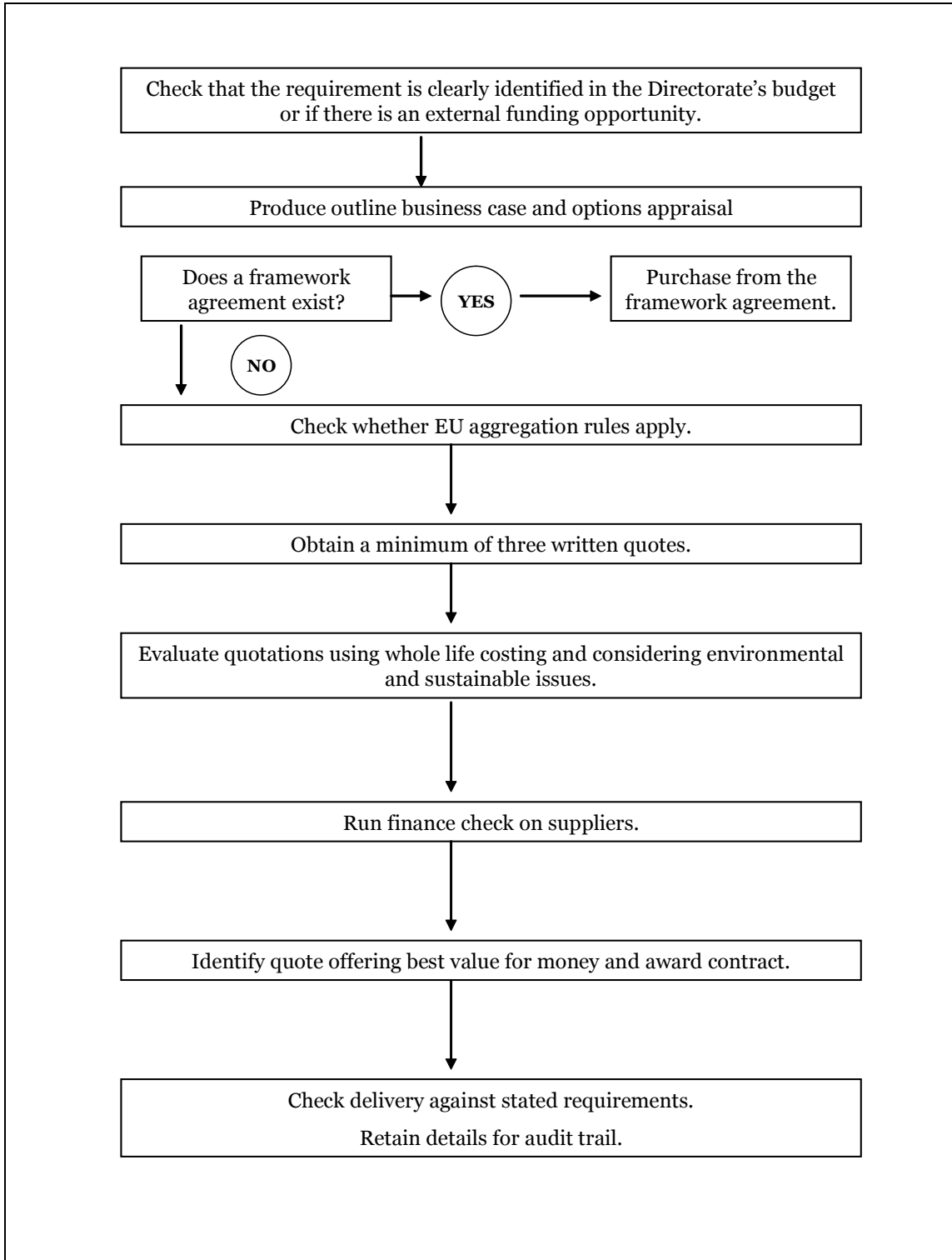
## Contracts with a value below £1,000





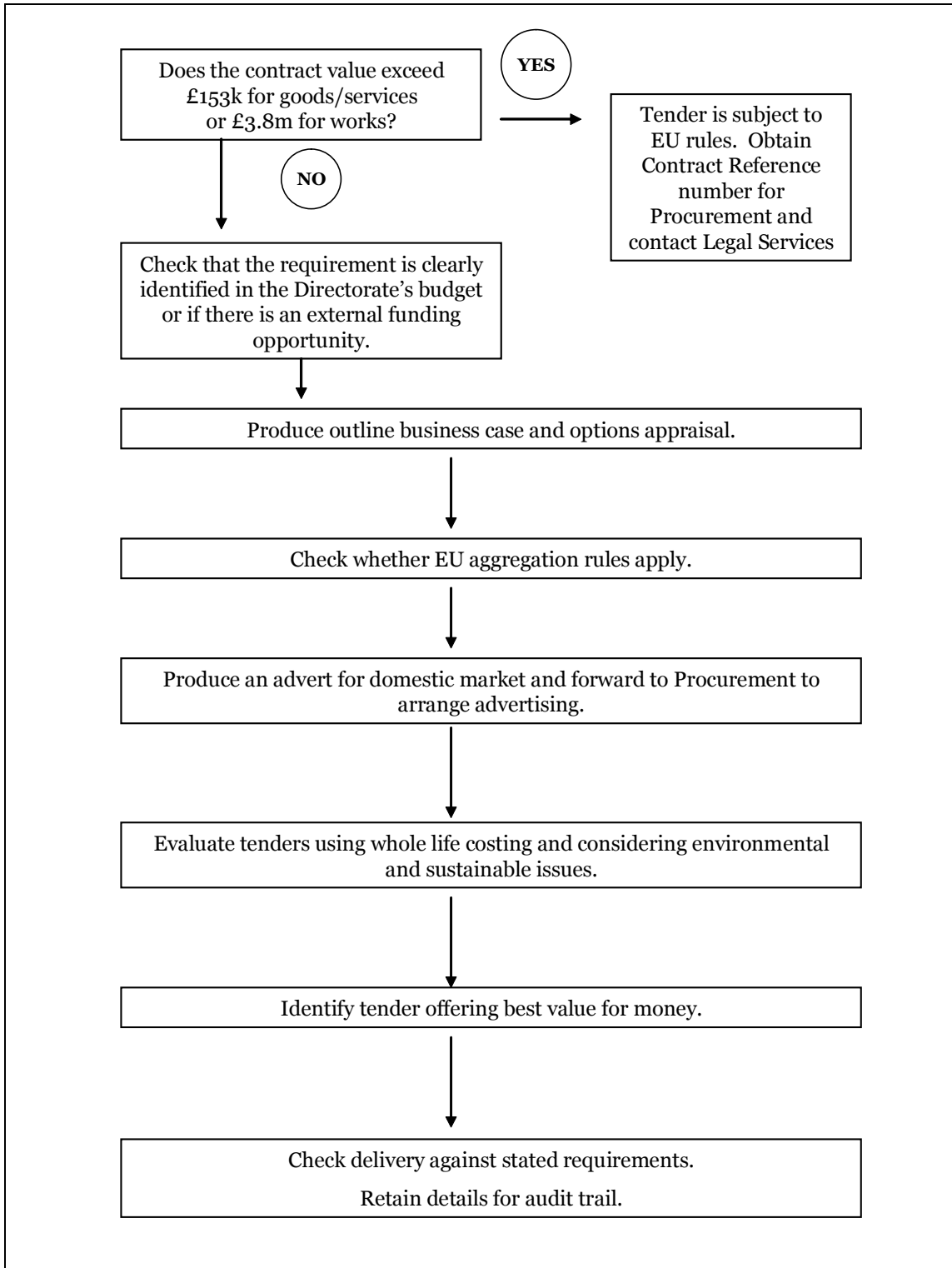
# Mini Guide to Procurement

## Contracts with a value between £1,001 and £50,000



# Mini Guide to Procurement

## Contracts with a value between £50,001 and up to relevant EU input (£140,000)



## **BACKWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08**

**Report By: Head of Financial Services**

### **Wards Affected**

County wide.

### **Purpose**

1. To inform the Strategic Monitoring Committee of the Council's proposed Backward Looking Annual Efficiency Statement for 2007/08.

### **Financial Implications**

2. An effective Annual Efficiency Statement process identifies financial savings and opportunities to help deliver balanced budgets.

### **Background**

3. The Council is required to provide a Backward Looking Annual Efficiency Statement for 2007/08 as part of the national 'Gershon' efficiency agenda. In cumulative terms the Council needs to identify as a minimum a total of £9.93m of efficiency gains over the three year period ending 31 March 2008..
4. In accordance with current requirements at least half of these efficiency gains need to be 'cashable', i.e. releasing additional cash resources. For 2007/08 £1.65m of cashable efficiency savings were included in the revenue budget. The remaining efficiencies were to be achieved through the Herefordshire Connects programme plus various procurement and efficiency review activities.
5. The Backward Looking Annual Efficiency Statement (AES) is required to be submitted by 8 July 2008 to confirm the level of efficiency gains made as part of the government's "Gershon" efficiency programme.
6. To support the process, the Strategic Procurement and Efficiency Manager developed procedures and methodologies to recognise, capture, measure and validate both the cashable and non-cashable efficiencies. The process involved working in partnership with the relevant service and financial managers. This also ensures that any stated efficiency gains will stand up to review by the Audit Commission should they chose to audit our Annual Efficiency Statement.
7. Efficiency savings feature prominently in the 'Use of Resources' assessment and therefore will continue to be key to the Council's overall performance rating. Since December 2006 the Use of Resources assessment has taken account of the external auditor's review of efficiency gains reported for the year in the Annual Efficiency Statement.

8. The 2007/08 efficiency gains target was £3.3m of which half had to be "cashable". The other half is "non-cashable" which covers efficiency savings based on improved performance. The 2008/09 requirement has changed with all AES entries required to be cashable.
9. The AES process has been in place for three years. The Backward Looking Statements for the three year period ending 31 March 2008 total £13.94m of which £9.21m is cashable.
10. The overall position for 2007/08 is calculated to be a total efficiency figure of £4.10m of which £2.67m is cashable. This means the Council has comfortably exceeded its target. The excess cashable savings can be carried forward toward the 2008/09 target of £3.7m. The attached appendix contains further detail of the components of the total.
11. The appendix to this report contains the proposed detailed list of efficiencies to be submitted in the Backward Looking Annual Efficiency Statement. The list covers all directorates with evidence that the increasing importance being placed on procurement is contributing to the efficiency process. As part of the 2007/08 budget procurement efficiency savings contributed £250,000 to achieving a balanced budget.
12. The updated Medium Term Financial Management Strategy continues to make a clear link between the Annual Efficiency Statement process and delivering a balanced budget. The evidence of this approach is contained in the 2008/09 budget with a further £750,000 of procurement efficiencies in place as part of the base budget.
13. The Efficiency Statement needs to be signed off by the Leader, Chief Executive and the Director of Resources by 8 July 2008. The Statement is then submitted to the Department of Communities and Local Government.
14. The summary of efficiency savings to be submitted is as follows:

#### Summary of Efficiency Savings Identified

|    |                                 | 2007/08 Achievement |              |              |
|----|---------------------------------|---------------------|--------------|--------------|
|    |                                 | Cashable            | Non cashable | Total        |
|    |                                 | £'000               | £'000        | £'000        |
| 1  | Adult Social Services           | 266                 | -            | 266          |
| 2  | Children's Services             | 64                  | 10           | 74           |
| 3  | Culture and Sport               | 144                 | -            | 144          |
| 4  | Environmental Services          | 255                 | 577          | 832          |
| 5  | Local Transport                 | 140                 | -            | 140          |
| 6  | LA Social Housing               | -                   | -            | -            |
| 7  | Non-School Educational Services | 206                 | 832          | 1,038        |
| 8  | Supporting People               | 143                 | -            | 143          |
| 9  | Homelessness                    | 98                  | -            | 98           |
| 10 | Corporate Services              | 182                 | -            | 182          |
| 11 | Procurement                     | 220                 | -            | 220          |
| 12 | Productive Time                 | -                   | -            | -            |
| 13 | Transactions                    | 952                 | 12           | 964          |
| 14 | Miscellaneous Efficiencies      | -                   | -            | -            |
|    |                                 | <b>2,670</b>        | <b>1,431</b> | <b>4,101</b> |

Further information on the subject of this report is available from  
Dean Hogan, Strategic Procurement and Efficiency Manager on 01432 260043

15. The above clearly indicates that all directorates have made a contribution to the final position and the following outlines some key areas:
- a. Transactional activity. This cashable efficiency has largely been delivered by the Benefit and Exchequer Service within the Resources Directorate where increased performance has reduced Council Tax arrears. An improved rate of Council Tax collection, a reduction in housing benefit subsidy penalties and an increase in subsidy on housing benefit overpayments for privately rated properties has also made a contribution.
  - b. General Efficiencies. This area of non cashable efficiencies has been largely delivered by the Children's and Young People's Directorate and the Environment Directorate. The Children's Services position is based on an estimated efficiency gain across the directorate. The Environment Directorate figure of £557k is the waste reduction in landfill multiplied by central government's per ton savings figure.
  - c. Non inflation contract spend. In 2007/08 Adult and Community Services spent £5.72m on Supporting People contracts but the central government grant was not sufficient to provide an inflation uplift to providers. The cashable savings is based on the estimated uplift that would have been provided if the grant had been inflated.
  - d. Insurance Savings. A cashable saving of £180k was produced through a reduced insurance cost to the Council. The reduction was a result of more effective procurement.
  - e. Reduction in HALO's management fee. A £138k reduction in the management fee paid to HALO produced this cashable efficiency.
  - f. Vacancy savings. The level of vacancies held in Adult and Community Services have produced a £210k cashable saving.

### **Risk Management**

16. A failure to deliver efficiency savings would impact on the ability to deliver objectives within the corporate, directorate and service plans.
17. The progress against the efficiency targets is monitored and reviewed by the corporate Benefits Review Group.

### **RECOMMENDATION**

**THAT the content of the proposed Backward Looking Annual Efficiency Statement for 2007/08 be noted subject to any comments the Committee wishes to make.**

### **BACKGROUND PAPERS**

- Draft Forward Look Annual Efficiency Statement Benefit car pro-forma.



| AES | Directorate         | Area                | Detail   | 2007/08 Target |              |       | 2007/08 Achievement |              |       | Comments  |
|-----|---------------------|---------------------|--|----------------|--------------|-------|---------------------|--------------|-------|---|
|     |                     |                     |  | Cashable       | Non cashable | Total | Cashable            | Non cashable | Total |   |
| 7   | Children's Services | Children's Services | Improved routing and scheduling of school transport  | 150            |              | 150   | 192                 |              | 192   |   |
| 7   | Children's Services | Children's Services | System efficiencies in awards and grants administration  | 50             |              | 50    |                     |              | -     | Spent more in 07/08 than previous yr. No savings achieved                     |
| 2   | Children's Services | Children's Services | 2% improvement in Key Stage results  |                | 18           | 18    |                     | 10           | 10    | 0.75% increase in exam results x £1.282m spend on school improvement = £9,614 |
| 2   | Children's Services | Children's Services | LEA Standards Fund   |                | 16           | 16    |                     |              | -     | This has changed significantly from 06/7 and therefore stated as zero.        |
| 7   | Children's Services | Children's Services | General efficiencies from better working practices within newly created Children's Directorate |                | 151          | 151   |                     | 832          | 832   | 3.65% performance improvement x £22.8m Children's Directorate budget          |
| 7   | Children's Services | Children's Services | Managing Sickness Absences   | 37             |              | 37    | 14                  |              | 14    | Improvement by 0.21 days. 600 staff x £106 pp =£13,700                        |
| 2   | Children's Services | Children's Services | Percentage of 3 year olds who have access to good quality free education                       |                | 36           | 36    |                     |              | -     |   |
| 2   | Children's Services | Children's Services | No contract inflation  |                |              |       | 64                  |              | 64    | No inflation on spot purchasing on spend of £1.5m                             |
| 4   | Environment         | Environment         | Sustaining improvement in highways maintenance in light of excess inflationary pressures       |                | 86           | 86    |                     | -            | -     | Would require large investment. No net efficiency gain this year.             |
| 5   | Environment         | Environment         | Partnership working with Amey - rate reduction   | 285            |              | 285   | 140                 |              | 140   | Based on calculated position.   |

| AES | Directorate       | Area                        | Detail   | 2007/08 Target |              |       | 2007/08 Achievement |              |       | Comments  |
|-----|-------------------|-----------------------------|--|----------------|--------------|-------|---------------------|--------------|-------|---|
|     |                   |                             |  | Cashable       | Non cashable | Total | Cashable            | Non cashable | Total |   |
| 4   | Environment       | Environment                 | Reduction in supervision between client and Amey   | 65             |              | 65    |                     |              | -     | Not achieved. Will be achieved once current Service Review completed                |
| 4   | Environment       | Environment                 | Environmental Health and Trading Standards - increase performance against response targets to 100%                   | 65             |              | 65    |                     |              | -     | Not yet implemented.  |
| 4   | Environment       | Environment                 | BVPI 199 - The percentage of streets and public areas falling below Grade B for cleanliness - reduce from 34% to 25% |                | 55           | 55    |                     |              | -     | Requires significant investment. No net efficiency gain this year.                  |
| 4   | Environment       | Environment                 | Operational savings achieved through managing vacancies  | 102            |              | 102   | 102                 |              | 102   | Built into budget.  |
| 4   | Environment       | Environment                 | Reduction in proportion of household waste that is land filled   |                | 296          | 296   |                     | 577          | 577   | Waste reduced by 5769 tonnes, £100-200 per tonne saving according to DEFRA figures. |
| 4   | Environment       | Environment                 | General savings from better procurement  | 180            |              | 180   |                     |              |       | Will be achieved once current SDR completed.  |
| 4   | Environment       | Environment                 | 1/4% rate reduction with Amey for works on non-highway   | 45             |              | 45    | 13                  |              | 13    | Figures based on analysis of current position.                                      |
| 3   | Adult & Community | Community Services          | Non replacement of part time post  | 12             |              | 12    | 6                   |              | 6     |   |
| 1   | Adult & Community | Commissioning & Improvement | Vacancy Savings  | 138            |              | 138   | 210                 |              | 210   | Based on actual vacancies   |



| AES | Directorate                   | Area               | Detail   | 2007/08 Target |              | 2007/08 Achievement |          | Comments |              |   |
|-----|-------------------------------|--------------------|--|----------------|--------------|---------------------|----------|----------|--------------|---|
|     |                               |                    |  | Cashable       | Non cashable | Total               | Cashable |          | Non cashable | Total   |
| 1   | Adult & Community             | Adult Social Care  | Vacancy Savings  | 20             |              | 20                  | 20       |          | 20           | Based on actual vacancies                             |
| 3   | Adult & Community             | Community Services | Driving efficiencies in HALO through reduction in management fee | 138            |              | 138                 | 138      |          | 138          | Built into budget.                                    |
| 1   | Adult & Community             | Adult Social Care  | Contract Procurement- Milbury                                    | 143            |              | 143                 | 9        |          | 9            | Reduction in contract cost.                           |
| 1   | Adult & Community             | Adult Social Care  | Managing Sickness Absence: reduce days lost                      | 91             |              | 91                  |          |          | -            | No evidence available                                 |
| 11  | Adult & Community             | Strategic Housing  | Other Procurement, Sickness Absence etc                          | 79             |              | 79                  | 40       |          | 40           |   |
| 1   | Adult & Community             | Adult Social Care  | Headway transport contract awarded to Herefordshire Mind         | 54             |              | 54                  | 27       |          | 27           |   |
| 9   | Adult & Community             | Strategic Housing  | Improve the Affordable Housing gap                               | 390            |              | 390                 | 98       |          | 98           |   |
| 8   | Adult & Community             | Supporting People  | Non-inflation on contract spend                                  |                |              |                     | 143      |          | 143          | £5,722,676 spend on contracts x 2.5% saving =£143,067 |
| 10  | Corporate & Customer Services | Corporate Services | Freeze inflation on non employee budgets                         | 25             |              | 25                  | 25       |          | 25           | Built into budget.                                    |
| 10  | Corporate & Customer Services | Corporate Services | Staff and procurement savings                                    | 40             |              | 40                  | 40       |          | 40           | Built into budget.                                    |
| 10  | Resources                     | Resources          | Deletion of a secretarial post                                   | 77             |              | 77                  | 77       |          | 77           | Achieved through various post deletions               |
| 10  | Resources                     | Resources          | Directorate Restructure  | 72             |              | 72                  |          |          | -            | Will be achieved over coming year.                    |

| AES | Directorate                   | Area                         | Detail  | 2007/08 Target |              |       | 2007/08 Achievement |              |       | Comments  |
|-----|-------------------------------|------------------------------|---|----------------|--------------|-------|---------------------|--------------|-------|---|
|     |                               |                              |   | Cashable       | Non cashable | Total | Cashable            | Non cashable | Total |   |
| 11  | Resources                     | Resources                    | Insurance Savings                               |                |              | -     | 180                 |              | 180   | Savings through better procurement result   |
| 10  | Corporate & Customer Services | Corporate Services           | Vacancy Savings                                 | 40             |              | 40    | 40                  |              | 40    | Built into budget.  |
| 11  | Resources                     | Procurement                  | West Mercia Supplies dividend                   |                |              |       | 40                  |              | 40    | Higher dividend than budgeted = £340k against budget figure of £300k                    |
| 13  | Resources                     | Benefit & Exchequer Services | Reduced Council Tax arrears                     |                |              |       | 300                 |              | 300   | Based on increased performance.   |
| 13  | Resources                     | Benefit & Exchequer Services | Increase usage of Direct Debits                 |                |              |       | 8                   |              | 8     | A movement from 62.28% from 59.19%. 47p transaction saving.                             |
| 13  | Resources                     | Benefit & Exchequer Services | Better Council Tax collection rate              |                |              |       | 230                 |              | 230   | up by 0.028% x £82m annual collection   |
| 13  | Resources                     | Benefit & Exchequer Services | Reduced errors                                  |                |              |       | 116                 |              | 116   | Error rate below threshold so receive income on subsidy                                 |
| 13  | Resources                     | Benefit & Exchequer Services | Reduction of staff                              |                |              |       | 23                  |              | 23    | Reduced visits = 1 less Recovery Officer from 4 to 3 and overheads saving on transport. |
| 13  | Resources                     | Benefit & Exchequer Services | Overpayments subsidy                            |                |              |       | 2                   |              | 2     | 40% subsidy on overpayments   |
| 13  | Resources                     | Benefit & Exchequer Services | Overpayments subsidy on private rent properties |                |              |       | 260                 |              | 260   | 40% subsidy on overpayments   |
| 13  | Resources                     | Benefit & Exchequer Services | Overpayments subsidy on Council tax             |                |              |       | 113                 |              | 113   | 40% subsidy on overpayments   |

| AES | Directorate | Area                         | Detail   | 2007/08 Target |              | 2007/08 Achievement |              | Comments |   |
|-----|-------------|------------------------------|--|----------------|--------------|---------------------|--------------|----------|---|
|     |             |                              |  | Cashable       | Non cashable | Cashable            | Non cashable |          | Total   |
| 13  | Resources   | Benefit & Exchequer Services | Increase in properties dealt with for council tax collection |                |              |                     | 12           | 12       | Increase of 1,182 properties processed without an increase in staffing levels |

|                                 |              |            |              |              |              |              |
|---------------------------------|--------------|------------|--------------|--------------|--------------|--------------|
| <b>Total of selected groups</b> | <b>2,298</b> | <b>658</b> | <b>2,956</b> | <b>2,670</b> | <b>1,431</b> | <b>4,101</b> |
|---------------------------------|--------------|------------|--------------|--------------|--------------|--------------|

### SUMMARY OF EFFICIENCY SAVINGS IDENTIFIED

| 2007/08 Achievement |              |              |
|---------------------|--------------|--------------|
| Cashable            | Non cashable | Total        |
| £'000               | £'000        | £'000        |
| 266                 | -            | 266          |
| 64                  | 10           | 74           |
| 144                 | -            | 144          |
| 255                 | 577          | 832          |
| 140                 | -            | 140          |
| -                   | -            | -            |
| 206                 | 832          | 1,038        |
| 143                 | -            | 143          |
| 98                  | -            | 98           |
| 182                 | -            | 182          |
| 220                 | -            | 220          |
| -                   | -            | -            |
| 952                 | 12           | 964          |
| -                   | -            | -            |
| <b>2,670</b>        | <b>1,431</b> | <b>4,101</b> |

- 1 Adult Social Services
- 2 Children's Services
- 3 Culture and Sport
- 4 Environmental Services
- 5 Local Transport
- 6 LA Social Housing
- 7 Non-School Educational Services
- 8 Supporting People
- 9 Homelessness
- 10 Corporate Services
- 11 Procurement
- 12 Productive Time
- 13 Transactions
- 14 Miscellaneous Efficiencies



**FINAL REVENUE AND CAPITAL OUTTURN 2007/08****Report By: Director of Resources****Wards Affected**

County-wide.

**Purpose**

1. To consider the final revenue and capital budget outturn for 2007/08.

**Financial Implications**

2. As set out in the attached Cabinet report.

**Background**

3. The report to Cabinet on 29<sup>th</sup> May is appended. Cabinet approved the recommendations.

**RECOMMENDATION**

**THAT the report be noted, subject to any comments the Committee wishes to make.**

**BACKGROUND PAPERS**

- None.



# FINAL REVENUE AND CAPITAL OUTTURN 2007/08

## PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

29 MAY 2008

### Wards Affected

Countywide.

### Purpose

The purpose of this report is for Cabinet to consider and approve:

- a. The final outturn position for 2007/08.
- b. Joint Management Team's proposals for carry forward of unspent budget into 2007/08.
- c. The creation of new reserves and provisions in the 2007/08 accounts.

### Key Decision

This is not a Key decision.

### Recommendations

That Cabinet approve:

- (a) the final outturn for 2007/08;
- (b) the Joint Management Team's recommendations for carry forward of unspent budget into 2008/09; and
- (c) the movements to new reserves outlined in the report.

### Reasons

- 1 Whilst work continues on the range of tasks necessary to prepare the Council's statutory Statement of Accounts for 2007/08, it is sufficiently advanced for Cabinet to consider the final outturn for the revenue account.
- 2 On 20 June 2008 the full Statement of Accounts for 2007/08 will be presented to the Audit and Corporate Governance Committee for formal approval. This will ensure the Council meets the statutory deadline for the approval of the accounts.

## Considerations

### DIRECTORATE BUDGET OUTTURNS FOR 2007/08

3 An overall summary of the outturn position for directorate budgets is as follows:

|   | <b>£000</b> |
|---|-------------|
| <b>Directorate outturns 2007/08</b>                             |             |
| Adult & Community Services – an <b>over</b> spend               | 22          |
| Children & Young People’s Services                              | 0           |
| Corporate & Customer Services – an <b>over</b> spend            | 1,176       |
| Environment – an <b>over</b> spend                              | 60          |
| Human Resources – an <b>under</b> spend                         | -15         |
| Resources – an <b>under</b> spend                               | -585        |
| Corporate budgets – an <b>under</b> spend                       | -118        |
| Bellwin threshold related to Environment – an <b>over</b> spend | 360         |
| <b>Net directorate over spend</b>                               | <b>900</b>  |

4 The above table shows that the final outturn position for 2007/08 was an over spend of £900k on directorate budgets after adjustments for use of revenue contingencies. The explanation of significant variances is included in the summary covering each directorate.

5 It is important to distinguish between the financial performance of directorates and the final overall revenue outturn of the Council. The following table gives the overall position after allowing for transactions not under the control of directorates:

|   | <b>£000</b> |
|---|-------------|
| <b>Net directorate outturn 2007/08 – an over spend</b>                      | <b>900</b>  |
| Additional income from Financing Transactions                               | -804        |
| Additional dividend income from West Mercia Supplies                        | -44         |
| Unbudgeted income from the Local Authority Business Growth Incentive scheme | -581        |
| Former local authority debt   | -31         |
| Unused Invest to Save allocation  | -31         |
| <b>Net revenue under spend</b>  | <b>-591</b> |

6 The overall position is an under spend of £591k on the Council’s 2007/08 revenue account. This compares to a forecast outturn for the year in the final Integrated Performance Report (IPR) of an over spend of £578k.

7 The Council has now established a consistent approach to managing budgets where cash is treated as a corporate resource by all levels of the Council. Service managers have been encouraged and supported by staff in the Resources



Directorate to concentrate their energies on delivering improved services at or below the available budget in line with corporate priorities rather than on protecting resources for their own particular service area.

- 8 The outturn position provides some additional flexibility for matching cash resources to corporate priorities into the future. The above tables demonstrate that the under spend is overwhelmingly accounted for by corporate activity. This overall directorate over spend is largely accounted for by the cost of the Community Network upgrade. If this is set to one side it is clear the overall position is a balanced budget for directorates. This has been significantly assisted by the allocation of £3.5m to help service improvement in 2007/08 and the £1.3m central contingency for social care.
- 9 A summary of the key variations between outturn and budget for each directorate is provided in the following paragraphs.

## ADULT & COMMUNITY SERVICES

### Final outturn summary

|                               | <b>March 2008<br/>Net over or (-)<br/>underspending £000</b> | <b>Outturn 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> |
|-------------------------------|--|--|
| Adult Services                | +3,575   | +3,092   |
| Needs Analysis expenditure    | 0  | +521   |
| Strategic Housing             | -1   | +33  |
| Community Services            | +285   | +324   |
| Commissioning and Improvement | -177   | -182   |
| Less Invest to save funding   | -500   | -2,712   |
| Less Social Care contingency  | 0  | -1,054   |
| <b>Total</b>                  | <b>+3182</b>   | <b>+22</b>   |

### Adult Services

- 10 The final outturn for the directorate is a £22k over spend after the application of the central revenue contingency and unused spend to save contingency. Details of the major variances with Adult Services are as follows:
- Learning Disabilities - £2.274 million over spend
  - Physical Disabilities - £0.576 million over spend
  - Mental Health - £1.120 million over spend
  - Older People - £0.595 million under spend
- 11 The position within Learning Disabilities improved at year end due to a number of

costs previously charged against revenue being transferred to the Learning Disability Fund held by the PCT. There have also been reductions in the overall level of packages with some assumed commitments not actually being incurred.

12. During 2007-08 a number of new schemes and initiatives intended to modernise Adult Social Care have been funded from the invest to save budget, with the spend featuring in the overall Integrated Performance Report (IPR) summary rather than being included in the directorate summary. In addition, £500k invest to save funding was allocated to fund specific short-term packages. For the purposes of this outturn report both the needs analysis expenditure and invest to save funding are now included in the final directorate outturn position.
13. In recognition of the demographic pressures in social care (both adults and children's) a centrally held contingency of £1.3m was set aside. The final outturn shows £1,054k allocated against Adult Social Care to offset the over spend position.
14. For 2008/09 the Adult Social Care Transformation Programme Board is overseeing a range of projects designed to change the way in which services are provided. This will see a move away from residential care towards more cost effective community based solutions. As well as reducing costs, income generation schemes including fairer charging are being implemented and a more stringent assessment process introduced. Further mitigation is from Supporting People funding where agreement in principle has been reached to identify cases where such funding would be appropriate. A review of all existing clients is being carried out in conjunction with the PCT.

### **Strategic Housing**

15. The projected outturn for Strategic Housing is an over spend of £33k, this is due to the position within homelessness where there was an overall over spend of £140k which was mitigated by one-off savings in other areas due to vacancies and grants that drop out in 2008-09. Homelessness remains a major challenge for 2008-09 and work is on-going to develop a budget recovery plan.

### **Community Services**

16. The final outturn on Community Services was an over spend of £324k. The main reason for this was the HALO Job evaluation payment issue which resulted in a net over spend of £227k. The other main area of over spend was the cost of maintaining public access PCs within libraries that has been previously reported.
17. The increase in over spend from the previous forecast is the result of higher than anticipated costs for tourism projects where expected levels of funding have not been achieved.
18. The outcome of the 'Article 10' audit by Government Office of the ARCH (Actively Regenerating Communities in Herefordshire) programme will not be known until 2008/09 and any grant clawback will be applied within the next financial year.

### **Commissioning & Improvement**

19. This area under spent by £182k due to delayed recruitment following a restructuring and economies derived from carrying out a data cleansing exercise in-house rather than using external resources. Some ICT expenditure will be funded by grant funding which further improves the position.
20. Following changes to management arrangements this area will be reported as part as the overall Adult Social Care heading in IPR reports for 2008/09.

## CHILDREN & YOUNG PEOPLE'S SERVICES

### Final Outturn Summary

|                             | <b>March<br/>Net over or(-)<br/>Underspending<br/>£'000</b> | <b>Outturn 2008<br/>Net over or(-)<br/>Underspending<br/>£'000</b> |
|-----------------------------|---|--|
| Central directorate budgets | -28   | +134   |
| Invest to Save expenditure  | 0   | +390   |
| Safeguarding and Assessment | +860  | +536   |
| Less Invest to Save Funding |   | -812   |
| Social Contingency          |   | -248   |
| <b>Total</b>                | <b>+832</b>   | <b>0</b>   |

- 21 The overall outturn position achieved at the end of 2007/08 is a balanced budget after application of unused spend to save budget and an element of the £1.3m social care contingency.

#### Directorate Central Budget

- 22 The Dedicated Schools Grant (DSG) does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
- 23 The Council is required to meet any redundancy costs arising from within schools and the outturn on these costs show that the Council has incurred an over spend of £466k. This budget was overspent by £285k last year. It is anticipated that this budget will continue to spend at this level in future years.
- 24 School transport route reviews continue to deliver welcome savings and this year savings of £575k have been achieved. One off savings of £229k are largely due to the windfall arising from the transfer from Standards Fund academic year funding to financial year funding in the LAA.

#### Children's Social Care/ Safeguarding and Assessment Services

- 25 Following the application of an element of the social care contingency and the balance of the spend to save funding, the final outturn is one of a balanced budget.
- 26 Within the overall position financial pressure continued against agency budgets. The number of agency placements shows a rise from 24 in April 2006 to 29 at the end of 2007/08 (including 1 in secure accommodation). Similarly fostering and respite placements have risen from 112 in April 2007 rising to 126 in November before falling to 112 in March 2008. The Council has a statutory responsibility to meet the needs of individual children if such placements are necessary. These placements can be expensive and typically each one costs in excess of £150k. This is a key pressure for 2008/09 financial year and unless placements can be reduced there will be a continuing cost pressure.

#### Dedicated Schools Grant

- 27 The Dedicated Schools Grant (DSG) has under spent in total by £1.2m and this has been carried forward as required by the grant regulations and its allocation will be determined by the Schools Forum.

**Analysis of main variances:**

| <b>Under spends:</b>                                 | <b>£'000</b> |
|--|--------------|
| Extra funding 2007/08 (due to more pupils)           | (416)        |
| Carried forward from 2006/07                         | (223)        |
| Fees to independent schools/Out of County placements | (435)        |
| Others contingencies                                 | (360)        |

| <b>Over spends:</b>       |     |
|---------------------------|-----|
| Banded Funding            | 134 |
| Nursery Education Funding | 239 |

- 28 The final outturn figure for Nursery Education Funding to Private, Voluntary and Independent providers is an over spend of £239k arising from an additional week's payment in this financial year and a temporary rise in numbers.
- 29 Special Needs Banded Funding final outturn over spend was £134k due to higher numbers of allocations at funding panel. This is offset by savings on fees to Independent Schools for SEN placements due to leavers and delayed new placements.
- 30 Legislation means that Dedicated Schools Grant is ring-fenced and must be spent on schools and specific services to schools. The Budget Working Party of the Schools Forum has agreed that £700,000 will be distributed to schools at £32 per pupil immediately and £499,000 held in reserve in case the final DSG notification for 2008/09, (expected in mid-June) is less than the provisional grant allocation. The Schools Forum will consider these proposals on the 2<sup>nd</sup> June 2008.

## CORPORATE & CUSTOMER SERVICES

### Final Outturn Summary

|                               | March 2008 Net<br>over or (-) under<br>spend<br>£000 | Outturn 2008<br>Net over or (-)<br>under spend<br>£000 |
|-------------------------------|--|--|
| Herefordshire Partnership     | 20   | 20   |
| Communications                | 20   | 20   |
| Director and Administration   | 0  | -40  |
| Emergency Planning            | 5  | 10   |
| Legal and Democratic Services | 100  | 160  |
| Info by Phone                 | -100   | 70   |
| Policy & Performance          | -30  | -45  |
| Information Services          | 5  | 5  |
| Corporate ICT Projects        | -325   | -325   |
| ICT Trading Account           | 0  | 0  |
| Corporate Programmes          | 205  | 200  |
| Community Network Costs       | 1,100  | 1,100  |
| <b>TOTAL</b>                  | <b>1,000</b>   | <b>1,175</b>   |

- 31 At the start of 2007/08 the budget review of ICT removed several vacant posts from the establishment, reduced contractors from 27 to five, and put all vacancies on hold. In order to make the cost of ICT more transparent internal charging between ICT projects and the trading account has been stopped. Spending and income is now matched with the correct budget ensuring that in 2007/08 the trading account will balance.
- 32 The early part of 2007/08 also saw a review of Corporate Programmes. This had included seven consultants but this has been reduced during the year to two.
- 33 The Info by Phone outturn includes capital costs relating to the Hereford Centre. Work is continuing with directorates to identify those services which will become part of the Customer Services function during the next year. Until the end of 2008/09 there is £500k of additional funding for Customer Services and securing base budget provision from the transferred services beyond 2008/09 is a priority for the directorate. To date budget projections indicate that 50% is secure in 2008/09.
- 34 In Legal and Democratic Services the 2007/08 over spend arose in part because of the purchase of new computers and training for all members after the election.

These will balance out over the next three years. Operating costs in Members' Services continue to rise in support of increasing numbers of meetings. It is also evident that some assumptions about income will not be realised.

- 35 Investigations into the planned funding for the community network upgrade have established that the annual revenue cost is £1.6m, reduced to £1.1m after contributions from school funding. However, work is in progress to challenge elements of the Siemens contract in order to reduce the cost. The overall position is offset by reduction of £185k to directorates for line rental and call charges, and a further £160k for Schools.

## ENVIRONMENT

### Final Outturn Summary

|  | <b>March 2008<br/>Net over or (-)<br/>under spend<br/>£000</b> | <b>Outturn 2008<br/>Net over or (-)<br/>under spend<br/>£000</b> |
|--|--|--|
| Environmental Health and Trading Standards | -800   | -917   |
| Planning                                   | 306  | 417  |
| Highways and Transportation                | 330  | 920  |
| Directorate Management & Support           | 0  | 0  |
| Less Bellwin threshold allocation          |  | -360   |
| <b>TOTAL</b>                               | <b>-164</b>  | <b>60</b>  |

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### Environmental Health and Trading Standards

- 36 The final position on the Waste Disposal budget is an under spend of £693k. In previous years there has been significant under spend and until the new contract variations are agreed this position will continue. However, the cost of the new contract will be considerably higher than at present. In previous years the under spend on the contract has been transferred to reserves to meet future waste management pressures. However for 2007/08 the under spend will be used to mitigate over spends within Highways and Transportation and Planning.
- 37 Several areas within Environmental Health have generated under spends totalling some £96k. A significant element of this fell to Commercial Services where there was an under spend of £63k due to additional income received in the current year in relation to the Cadbury's compensation.
- 38 There is also an under spend of £49k in relation to licensing, due to income exceeding budgets. This increase in income was intended to fund additional staff but the directorate has not been able to recruit.
- 39 There is an under spend of £45k on Trading Standards, this relates to the receipt of unbudgeted grant from the Food Standards Agency.
- 40 Cemeteries, crematorium, traveller sites and trade waste also under spent. However there were over spends on recycling, domestic waste collection and management

costs.

### Planning

- 41 Fee income for both the Building Control and Development Control areas fell short of the budgeted income targets (£36k and £37k respectively). The position in building control was offset by staff savings and operational cost savings giving an overall under spend of £22k. Within Development Control there were also significant over spends on IT scanning and legal costs, resulting in an overall net over spend of £216k.
- 42 The over spend in relation to IT SLA charges in Planning was £75k. In the previous year, on a one-off basis, this pressure was met by Planning Delivery Grant however there is no capacity to do this in the current year.
- 43 There is also an additional over spend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.

### Highways & Transportation

- 44 Concessionary travel overspent by £33k. This is due to inflationary increases during the year on fares of 10% and an increase in use of 5%.
- 45 Winter Maintenance overspent by £175k. This reflects the costs for an average winter.
- 46 Car Parking fell short of the income target by £95k and also overspent on expenditure budgets by £63k.
- 47 Street lighting overspent by £177k mainly as a result of £160k payment to Amey Wye Valley Ltd relating to contract uplift adjustments on all work carried out by them since September 2003.
- 48 There were various over spends on road maintenance totaling £77k.
- 49 The expenditure incurred on flood damage within the Bellwin threshold level has been funded through central budgets and is shown as an overall adjustment to the directorate position.

## HUMAN RESOURCES DIRECTORATE

### Final Outturn Summary

|                 | <b>March 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> | <b>Outturn 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> |
|-----------------|--|--|
| Human Resources | -30  | -15  |

- 50 The under spend is due to less costs incurred for corporate training.

## RESOURCES DIRECTORATE

## Final Outturn Summary

|   | <b>March 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> | <b>Outturn 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> |
|---|--|--|
| Asset Management & Property Services                | 99   | 41   |
| Audit, Benefit and Exchequer and Financial Services | -25  | -626   |
| <b>Total</b>  | <b>74</b>  | <b>-585</b>  |

### Asset Management & Property Services

- 51 Additional expenses for office accommodation created the over spend.

### Audit Services, Benefit and Exchequer Services and Financial Services

- 52 At the end of the year benefit subsidy income was higher than budgeted which created a £581k under spend against a total Benefit budget of almost £40m. This resulted from an improved income from housing benefits and a lower spend on rent allowances. The increased performance for the Benefits area has produced increased subsidy. In addition some anticipated costs have not materialised. It should be noted that the subsidy position cannot be accurately calculated until after the accounts have been closed.

## CORPORATE BUDGETS

### Final Outturn Summary

|                  | <b>March 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> | <b>Outturn 2008<br/>Net over or (-)<br/>underspending<br/>£000</b> |
|------------------|--|--|
| Corporate Budget | 17   | -118   |

- 53 Savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies have created a surplus.
- 54 The remaining corporate capacity budget and agency staff efficiency savings will be allocated in the 2008/09 base budget to directorates.



## DIRECTORATE BUDGET CARRY FORWARD PROPOSALS

- 55 The following table summarises JMT's proposals for use of the under spend on the general fund:

|   | <b>£000</b>     |
|---|-----------------|
| <b>Total under spend available</b>                        | <b>591</b>      |
| <b>Less:</b>  |                 |
| Reserve for interim accommodation strategy                | <u>(591)</u>    |
| <b>Total under spend for carry forward after proposal</b> | <u><b>0</b></u> |

- 56 It is proposed that the under spend is used to fund a reserve for the corporate priority to improve office accommodation jointly with the PCT.

### GENERAL RESERVES

- 57 Having considered the outturn position for 2007/08 it is now possible to update Cabinet on the level of general reserves as at 31st March 2008.
- 58 The overall level of general reserve had reduced by £1.295m to £6.728m. The reduction was part of the overall Council budget and includes the use of Local Authority Business Growth Incentive funding (£1.0m), the Hereford City grounds maintenance contribution (£138k) and using the 2006/07 carry forward (£157k) agreed as part of the budget.

## SPECIFIC RESERVES

- 59 The Director of Resources requests that Cabinet approve the following new reserves in the accounts:

| Title                            | £000  | Reason   |
|----------------------------------|-------|--|
| Accommodation Reserve            | 591   | A specific reserve to help support future changes arising from the accommodation strategy.   |
| Safeguard Children Board Reserve | 48    | The statutory Safeguarding Children Board includes contribution from several partners. The carry forward supports the overall financial model that sees all partners commit to ringfencing under spends on their contribution. |
| LPSA2 Reward Grant               | 1,148 | There is a high degree of certainty that the Council will receive £1.148m of revenue reward grant for its LPSA2 performance. It is appropriate to put this in a reserve pending discussions about its use.                     |
| Edgar Street Grid                | 41    | To be set up to support project management requirements for ESG.   |
| Whitecross PFI                   | 108   | To help address any potential variances in the annual unitary charge associated with the contract.   |

## 2007/08 CAPITAL PROGRAMME OUTTURN

### OVERALL POSITION

- 60 The capital programme outturn for 2007/08 totals £54.2m, which represents an overall increase of £1.014m from the previous capital programme forecast outturn for 2007/08 as at 14 April 2008. The change represents a decrease in children's services outturn on the Riverside amalgamation and Sutton Primary replacement school capital schemes. In addition slippage in adult and community services in relation to the Friar Street museum and resource centre and the disabled facilities grant outturn position has been offset by the inclusion of devolved school capital expenditure of £4.314m. The original capital programme forecast for 2007/08 totalled £65.462m, this excluded devolved formula capital spend and included expected expenditure on Herefordshire Connects. The impact of the outturn on futures years' capital programme forecasts will be reported in the next report to Cabinet.
- 61 A summary of the overall capital outturn position for 2007/08 is provided in table D1. Detailed capital programmes for directorates are reported to the relevant scrutiny committees. A summary of the overall capital programme changes is provided in this report.
- 62 Details of total capital scheme costs, funding thereof, outturn position and any potential issues for capital schemes with an outturn for 2007/08 exceeding £500k are provided in table D2.

### Prudential Borrowing Outturn

- 63 A summary of the Prudential Borrowing position is set out below.

|  |           | £'000         |
|--|-----------|---------------|
| 2007/08 Original Prudential Borrowing Allocation |           | £16,988       |
| Add: Slippage from 2006/07                       |           | £16,288       |
| Less: Slippage into future years                 | (£24,735) |               |
| No longer required                               | (£1,056)  |               |
| Funded by available SCE(R)                       | (£125)    | (£25,916)     |
| Use of Prudential Borrowing in 2007/08           |           | <u>£7,360</u> |

### **Capital Receipts Reserves Outturn**

- 64 The capital receipts reserve totalled £17.945m as at 31 March 2008. Commitments over the next three years funding the original capital programme forecast total £12.196m which includes funding strategic housing, Rotherwas Futures and the provision of a cattle market.

## FUNDING OF 2007/08 CAPITAL OUTTURN

| Capital Programme Area             | 2007/08 Outturn | SCE(R)       | Prudential Borrowing | Grant         | Revenue Contribution | Capital Receipts Reserves |
|------------------------------------|-----------------|--------------|----------------------|---------------|----------------------|---------------------------|
|                                    | £'000           | £'000        | £'000                | £'000         | £'000                | £'000                     |
| Children & Young People's Services | 9,168           | 2,163        | 2,275                | 3,221         | 131                  | 1,378                     |
| Devolved Formula Capital Spend     | 4,314           | -            | -                    | 4,314         | -                    | -                         |
| Resources                          | 2,692           | -            | 318                  | 2,046         | -                    | 328                       |
| Corporate and Customer Services    | 523             | -            | 320                  | 10            | 193                  | -                         |
| Social Care Solution               | 292             | -            | 292                  | -             | -                    | -                         |
| Herefordshire Connects             | 68              | -            | -                    | -             | 68                   | -                         |
| Environment Services               | 27,599          | 7,582        | 3,287                | 16,096        | 52                   | 581                       |
| Adult and Community Services       | 9,544           | 218          | 867                  | 3,586         | 88                   | 4,785                     |
| <b>Total Outturn</b>               | <b>54,200</b>   | <b>9,963</b> | <b>7,360</b>         | <b>29,273</b> | <b>532</b>           | <b>7,072</b>              |
| <i>March Forecast</i>              | <i>53,186</i>   | <i>9,963</i> | <i>8,895</i>         | <i>26,571</i> | <i>306</i>           | <i>7,451</i>              |
| <i>Change from March</i>           | <i>1,014</i>    | <i>-</i>     | <i>(1,535)</i>       | <i>2,702</i>  | <i>226</i>           | <i>(379)</i>              |

| <b>Reported to date</b>   |               |              |               |               |            |               |
|---------------------------|---------------|--------------|---------------|---------------|------------|---------------|
| <i>Original Budget</i>    | <i>65,462</i> | <i>9,963</i> | <i>28,256</i> | <i>18,358</i> | <i>170</i> | <i>8,715</i>  |
| <i>July 2007 Forecast</i> | <i>62,433</i> | <i>9,963</i> | <i>15,926</i> | <i>25,781</i> | <i>54</i>  | <i>10,709</i> |
| <i>Sept 2007 Forecast</i> | <i>61,602</i> | <i>9,963</i> | <i>16,503</i> | <i>25,291</i> | <i>54</i>  | <i>9,791</i>  |
| <i>Nov 2007 Forecast</i>  | <i>53,168</i> | <i>9,963</i> | <i>9,296</i>  | <i>26,645</i> | <i>161</i> | <i>7,103</i>  |
| <i>Jan 2008 Forecast</i>  | <i>53,418</i> | <i>9,963</i> | <i>9,277</i>  | <i>26,880</i> | <i>161</i> | <i>7,137</i>  |
| <i>Feb 2008 Forecast</i>  | <i>52,821</i> | <i>9,963</i> | <i>8,675</i>  | <i>26,571</i> | <i>161</i> | <i>7,451</i>  |
| <i>Mar 2008 Forecast</i>  | <i>53,186</i> | <i>9,963</i> | <i>8,895</i>  | <i>26,571</i> | <i>306</i> | <i>7,451</i>  |
| <b>Outturn</b>            | <b>53,186</b> | <b>9,963</b> | <b>8,895</b>  | <b>26,571</b> | <b>306</b> | <b>7,451</b>  |

### Schemes with an outturn exceeding £500k in 2007-08

| Scheme Detail By Directorate                  | Whole Scheme Cost £'000 | Funded by                        | Original forecast £'000 | 2007-08 outturn £'000 | Comments   |
|---|-------------------------|----------------------------------|-------------------------|-----------------------|--|
| <b>Children &amp; Young People's Services</b> |                         |                                  |                         |                       |  |
| Sutton Primary Replacement School             | 2,515                   | Grant, Parish Council & receipts | 936                     | 1,702                 | Scheme expected to complete in May, any under spend will be carried forward        |
| Riverside Amalgamation                        | 8,294                   | Grant & capital receipts         | 4,620                   | 3,696                 | Scheme expected to complete in September, any under spend will be carried forward  |
| Condition property works                      | n/a                     | SCE®                             | 900                     | 899                   | Annual programme of works at various sites committed on a highest need first basis |
| <b>Resources</b>                              |                         |                                  |                         |                       |  |
| Property Purchase                             | 1,422                   | Grant                            | -                       | 1,422                 | Purchase under Edgar St Grid development   |
| <b>Environment Services</b>                   |                         |                                  |                         |                       |  |
| Rotherwas Access Road                         | 12,780                  | Grant, LTP, receipts & borrowing | 500                     | 7,686                 | Planned completion in May, compensation events under negotiation                   |
| Crematorium                                   | 3,150                   | Prudential borrowing             | 2,000                   | 1,125                 | Work currently 1 week behind, completion (excluding retention) expected in March   |
| Road Maintenance                              | n/a                     | LTP allocation                   | 5,417                   | 6,096                 | Annual programme of works completed  |
| Hereford Flood Defences                       | 2,172                   | Private developer                | -                       | 2,172                 | Capital scheme complete  |
| Footways                                      | n/a                     | LTP allocation                   | 1,065                   | 884                   | Annual programme of works completed  |
| Ross on Wye Flood Alleviation                 | 7,047                   | Grant                            | 5,000                   | 5,237                 | Scheme in progress, completion (excluding retention) expected in September         |
| Assessment Strength of Bridges                | n/a                     | LTP allocation                   | 700                     | 753                   | Annual programme of works completed  |

| Scheme Detail By Directorate                                    | Whole Scheme Cost £'000 | Funded by                                | Original forecast £'000 | 2007-08 outturn £'000 | Comments  |
|---|-------------------------|--|-------------------------|-----------------------|---|
| <b>Adult &amp; Community Services</b>                           |                         |  |                         |                       |   |
| Cattle Market   | 8,000                   | Capital receipts                         | 1,650                   | 1,868                 | Land purchase completed, update report expected in June                                 |
| Affordable Housing Grants                                       | n/a                     | Capital receipts                         | 3,500                   | 2,276                 | Annual allocation of grants   |
| Private Sector Housing  | n/a                     | Grant                                    | 1,000                   | 786                   | A tightening of the eligibility criteria has resulted in the slowing of grant approvals |
| Friar St Museum and Resource Centre                             | 2,040                   | Grant, borrowing & capital receipts      | 1,323                   | 1,021                 | Final contractor payment outstanding, further works and moves to be completed           |
| Disabled Facilities Grant                                       | n/a                     | 60% grant & 40% capital receipts         | 525                     | 689                   | Continued increasing demand on this budget  |
| Aylestone Hill Park   | 627                     | Prudential borrowing & private developer | 96                      | 533                   | Phase complete, future phases will commence upon receipt of developer funding           |
| <b>Total</b>  |                         |  | <b>29,232</b>           | <b>38,845</b>         |   |
| <b>Schemes with an outturn in 2007/08 of less than £500,000</b> |                         |  | <b>36,230</b>           | <b>15,355</b>         |   |
| <b>Total</b>  |                         |  | <b>65,462</b>           | <b>54,200</b>         |   |

## Risk Management

- 65 The Council is required to publish end of year BVPI outturns by 30 June and to ensure the closure of accounts within statutory deadlines. Failure to do so carries a reputation risk for the Council in relation to its corporate governance role.

## Consultees

- 66 The relevant internal officers have been consulted. No external consultation was considered necessary.

## Background Papers

None identified.





## WORK PROGRAMME

**Report By: Assistant Chief Executive – Legal and Democratic**

### Wards Affected

County-wide

### Purpose

1. To consider the Committee's work programme.

### Background

2. A report on the Scrutiny Committees' current work programmes will be made to this Scrutiny Committee quarterly. A copy of this Committee's own work programme will be made to each of its scheduled meetings. A copy of this Committee's current work programme is therefore attached for this meeting.
3. Should Members become aware of any issues they consider may be added to the scrutiny programme they should contact the Chairman to log the issue so that it may be taken into consideration when planning future agendas or when revising the work programme.

### RECOMMENDATION

**THAT the current work programme serves as a basis for further development, subject to any comment the Committee wishes to make.**

### BACKGROUND PAPERS

- None



## Strategic Monitoring Committee – work programme 2008/09

|                 |  |
|-----------------|--|
|                 | <b>July 2008</b>   |
|                 | <ul style="list-style-type: none"> <li>• Presentation by Cabinet Members</li> <li>• IPFR Year end report and proposals for future reports</li> <li>• An improvement plan for each service area, supplementing the Corporate Plan.</li> <li>• extent, costs, purposes and value for money of the Council's use of consultants in 2007/08.</li> <li>• Monitoring of Comprehensive Area Assessment Preparation Programme</li> </ul> |
|                 | <b>September 2008</b>  |
|                 | <ul style="list-style-type: none"> <li>• IPFR (four month April-July report)</li> <li>• Accommodation Strategy</li> </ul>  |
| Scrutiny Review | <ul style="list-style-type: none"> <li>• ICT Services</li> </ul>   |
|                 | <b>October 2008</b>  |
|                 | <ul style="list-style-type: none"> <li>• Updated MTFMS</li> <li>• IPFR(six month April-September report) or to November see below</li> <li>• Monitoring of Comprehensive Area Assessment Preparation Programme</li> </ul>  |
|                 |  |
|                 | <b>November 2008</b>   |
|                 | <ul style="list-style-type: none"> <li>• IPFR (six month April-September report)</li> <li>• Confirmation of LG settlement</li> </ul>   |
|                 |  |
|                 | <b>January 2009</b>  |
|                 | <ul style="list-style-type: none"> <li>• IPFR (8 month April-November)</li> <li>• CPA Assessments</li> <li>• Use of Resources Judgment</li> <li>• CAA details confirmed (or Feb??)</li> <li>• Report on needs assessment survey and public consultation</li> <li>• Local Government Settlement confirmed.</li> <li>• Monitoring of Comprehensive Area Assessment Preparation Programme</li> </ul>                                |
|                 | <b>February 2009 (budget)</b>  |
|                 | <ul style="list-style-type: none"> <li>• Direction of Travel Judgment</li> <li>• CAA details confirmed</li> <li>• Draft 2009/10 Operating Statement</li> <li>• Updated MTFS</li> <li>• IPFR(10 month April-January report)</li> </ul>  |

|   |  |
|---|--|
|   |  |
|   | <b>April 2009</b>  |
|   | <ul style="list-style-type: none"> <li>• IPFR(10 month April-January report) see above?</li> <li>• Strategic Options and Challenge</li> <li>• IPFR (end-of-year report</li> <li>• Monitoring of Comprehensive Area Assessment Preparation Programme</li> </ul> |
| <p><b>Other issues</b></p> <ul style="list-style-type: none"> <li>• User Satisfaction Surveys.</li> <li>• Gender Equality Scheme Monitoring (reported March 2007 6 month/annual).</li> <li>• Comprehensive Equality Scheme Action Plan monitoring.</li> <li>• Scrutiny of Police/Crime and Disorder Reduction Partnership.</li> <li>• Electoral Registration issues - polling station reviews</li> <li>• Elections Action Plan - Monitoring</li> <li>• Communications Strategy Monitoring</li> <li>• Smallholdings Policy (Outcome of Executive Review)</li> <li>• (Item referred by Audit and Corporate Governance Committee – (30 November 2007) – “ that Strategic Monitoring Committee be requested to review the control of asset management processes and procedures and actions which are taken against officers who do not adhere to these rules”</li> <li>• Monitoring of Comprehensive Area Assessment Preparation Programme (July and October 2008 and January and April 2009.)</li> <li>• Post Office Closures</li> <li>• Comprehensive Equality Policy</li> <li>• Rose Bank Garden Scheme - reviewing its value for money and whether there were any lessons to be learned for future schemes.</li> <li>• Analysis of Complaints to the Ombudsman – Planning</li> <li>• Pay and Workforce Development Strategy (Replacement)</li> <li>• Herefordshire Public Services – possible consideration of effectiveness of working arrangements – (9 months on)</li> </ul> |  |

**Further additions to the work programme will be made as required**

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