

A G E N D A

Strategic Monitoring Committee

Date: **Wednesday, 10th September, 2008**

Time: **9.30 a.m.**

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

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

For any further information please contact:

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01432 260239
E-mail tbrown@herefordshire.gov.uk*

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

1. APOLOGIES FOR ABSENCE

To receive apologies for absence.

2. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on the Agenda.

GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

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.

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3. MINUTES

To approve and sign the Minutes of the meeting held on 16 July 2008.

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| 4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY | |
| To consider suggestions from members of the public on issues the Committee could scrutinise in the future. | |
| 5. REVIEW OF THE SERVICE DELIVERY PARTNERSHIP WITH AMEY WYE VALLEY LIMITED (TO FOLLOW) | 11 - 132 |
| To consider what comments the Committee wishes to make to Cabinet on the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley Ltd. | |
| 6. WORK PROGRAMME | 133 - 136 |
| To consider the Committee's work programme | |

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

PUBLIC INFORMATION

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There are also two other ways in which you can directly contribute at Herefordshire Council's Scrutiny Committee meetings.

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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- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Wednesday, 16 July 2008 at 9.30 a.m.

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

Councillors: PA Andrews, KG Grumbley, TM James, RI Matthews,
PM Morgan, SJ Robertson and JK Swinburne

In attendance: Councillors H Bramer (Cabinet Member - Resources), JP French (Cabinet Member- Corporate and Customer Services and Human Resources) and PD Price (Cabinet Member - ICT, Education and Achievement)

12. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors WU Attfield and Councillor RJ Phillips (Leader of the Council).

13. DECLARATIONS OF INTEREST

There were no declarations of interest made.

14. MINUTES

RESOLVED: That the Minutes of the meeting held on 13 June 2008 be approved as a correct record and signed by the Chairman.

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

There were no suggestions from members of the public.

16. CABINET MEMBER (RESOURCES) PRESENTATION

The Committee questioned the Cabinet Member (Resources) on his area of responsibility.

A report, to which the Directorate's Annual Report 2007/08 was appended, and which included key priorities for 2008/09 had been circulated with the agenda papers.

The Cabinet Member (Resources) highlighted the Directorate's key priorities for the year. He also reported briefly on all four sections of the Resources Directorate, highlighting some particular achievements and reporting that all the sections were performing well.

In the ensuing discussion the following principal points were made:

- It was asked whether the internal audit function had sufficient resources given its growing remit, including links with the Primary Care Trust, and noting also the demands of the special investigation it had had to carry out in 2007/08. The Head of Financial Services said the internal audit team was a small team. An audit plan was agreed for the year which was capable of being delivered by the resources available. Adjustments had to be made to the Plan if a special investigation was required. The audit plan was on track. Closer working with the PCT continued to develop. He noted that it was difficult to recruit experienced audit staff.
- It was asked if the year on year target for capital receipts from the smallholdings estate was achievable. The Cabinet Member (Resources) said that he considered the target was achievable through rationalisation.
- A question was asked about the approach to issuing Notices to Quit which it was suggested had generated some concern amongst some smallholding tenants. The Cabinet Member (Resources) explained the approach and said that it was his understanding that the Notices to Quit had been issued correctly. Some tenants had subsequently been offered new tenancies others had not. He agreed that if evidence was provided that the approach had not been correct this would be investigated.
- It was asked whether a full time team had been identified to support the development of the accommodation strategy. The Cabinet Member (Resources) said that a firm of Consultants had been employed who would report back in September to the in-house team.
- A further question was asked about the timescale for developing new back office accommodation and whether this could be achieved by December 2010, when the current lease of the Plough Lane offices ended. The Cabinet Member (Resources) said that this depended on the Consultants' findings. However, if a site on the Council's own land were selected he believed the office accommodation could be provided by December 2010.
- In response to a question the Chief Executive said that efforts were continuing to agree a meeting date with the new owners of Plough Lane to discuss their position on the building's future use.
- The Service Delivery Review of Amey Wye Valley was discussed, with concern being expressed about the contract's value for money. It was noted that the outcome of the Review was to be reported to the Committee for comment prior to consideration by Cabinet.

The Chairman thanked the Cabinet Member.

RESOLVED: That the Committee's concern about the tightness of the timetable for delivering the accommodation strategy be recorded.

17. CABINET MEMBER PRESENTATIONS - CORPORATE & CUSTOMER SERVICES & HUMAN RESOURCES AND ICT, EDUCATION AND ACHIEVEMENT

The Committee received presentations from the Cabinet Member (Corporate and Customer Services and Human Resources (CCSHR) and Cabinet Member (ICT, Education and Achievement (ICTEA)).

A report commenting on performance in 2007/08 and challenges for 2008 in the various service areas was appended to the report.

The Cabinet Member (CCSHR) highlighted the change which staff could expect to experience in the coming months, referring to the relationship between the accommodation strategy, Herefordshire Connects programme, and flexible working. She said that the changes would deliver savings. In the main it was hoped that these would be achieved through natural turnover. However, if this were not possible, compulsory change would be necessary. It was intended to support staff through these changes and help them to acquire new skills.

She also highlighted the intention to focus on data quality and security, areas of which inspectors were regularly critical. The improvements in ICT would be part of the solution to this problem.

The Cabinet Member (ICTEA) commented on the importance of taking decisions to invest in ICT promptly given the risk to the sustainability of a number of current systems. He considered that considerable savings would be achieved as a result of the proposed investment.

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

- With reference to the trialling of e-consultation facilities the Cabinet Member (CCSHR) acknowledged the wish that this should complement standard consultation methods.
- Referring to projects identified for 2008/09 in the Corporate ICT Strategy Programme, concern was expressed at the absence of costings. Assurance was also desired that the projects would proceed and the projected benefits would be delivered.
- A question was asked about expectations in respect of the Council's future overall Comprehensive Performance Assessment rating, it having dropped from 3* to 2* in the 2007 assessment. The Corporate Policy and Research Manager reported that the current expectation was that the 2008 assessment, to be published in 2009 and which would be mainly based on performance on 2007/08, would show the Council retaining its 2* rating. The overall trend in performance was upwards, however. The score for housing was expected to be higher than in the 2007 assessment but getting a 3* overall rating would require improvements in the scores for use of resources, children's services and adult social care.
- In response to a question the Cabinet Member (CCSHR) confirmed that it was intended to seek to achieve the investor in people standard corporately.
- Questioned about performance overall and the decline in the Council's public satisfaction rating the Cabinet Member (CCSHR) said that there had been a decline nationally in satisfaction ratings. Where people directly experienced

services they rated them highly. She suggested there was a role for Members in promoting what was good as well as challenging what was not good.

- The reference in the Cabinet Member (CCSHR) report to the need to improve scrutiny and the role of frontline members was discussed. It was noted that improvement would be achieved through the Committee's own improvement plan and the corporate work being undertaken with the Leadership Centre.

The Chairman thanked the Cabinet Members.

18. HEREFORDSHIRE CONNECTS

The Committee considered a report on the outcome of an options appraisal carried out to inform future implementation of the Herefordshire Connects programme and to seek the Committee's views on recommendations arising from the options appraisal, prior to consideration by Cabinet on 31 July 2008.

The options appraisal: Herefordshire Connects – The Way Forward prepared by Deloitte had been circulated as a separate document.

The Interim Deputy Chief Executive presented the report and gave a presentation. This commented on how services could be improved through the use of technology. It set out the background to the strategic pause in the Connects programme and emphasised that the high risks of failure to major systems meant that the status quo was not an option. It outlined the arrangements for risk managing the project noting the role of Deloitte in providing strategic advice and implementation expertise and the intention to procure market proven solutions.

Mr D Harker of Deloitte said that, having discussed the project with a range of people from the Primary Care Trust (PCT) and the Council, the consistent view was that the vision of Herefordshire Connects was valid, probably even more so to deliver integrated services to the customer. However, the project needed to be repositioned and restarted. Priorities had changed. It was clear that to do nothing was not an option with a significant danger of various systems failing. It was a credit to ICT services that they had managed to support these systems to date.

The aim in terms of technology was to minimise the number of systems and data sources, ending up with a small number of integrated systems joined together better. Other Councils across the Country were taking this path. Deloitte had reviewed the technological options and four proven products to deliver the integrated back office project had been identified for consideration and evaluation. The three key projects: integrated customer services, integrated support services and performance management remained a valid way of structuring the project.

A very prudent approach had been taken in reviewing the projected costs and cashable benefits of the project to produce the revised benefits case set out in the report. He added that it was important not to overlook the non-cashable customer service benefits which the programme would deliver.

In the ensuing discussion the following principal points were made:

- An explanation was requested for the further downward revision to the estimated savings to be delivered by the project. The Interim Deputy Chief Executive said that the original case produced by Axon had been a high level feasibility study including elements not part of the Connects project, such as accommodation savings and making assumptions based on the experience of larger councils.

This had led to a high estimate of the savings. The Head of Financial Services reinforced this point and added that the disciplines and efficiencies that underpinned the Connects project had delivered savings of £1.7 million to date. He pointed to benefits to be derived from improved procurement in particular. He considered the revised business case to be prudent noting that CAPITA had assured the figures.

- It was asked whether measures were in place to make payments to Deloitte dependent on delivery. The Interim Deputy Chief Executive said that a framework agreement had been signed with Deloitte and there was a clear focus on performance and delivery with clear milestones and a requirement that all payments must be signed off by him, the Assistant Chief Executive – Legal and Democratic and the Director of Resources.
- It was suggested that the proposed revised vision for Herefordshire Connects as set out in the Deloitte report should be revisited.
- The position on the Cedar financial system which the report said needed to be upgraded to avoid a potentially critical failure was discussed. It was noted that a short term upgrade was needed. The evaluation of the four back office packages would look at whether Cedar should be retained or replaced in the medium term by the back office package. The Head of Financial Services reported that an upgrade that also provided increased capability had been implemented resolving risk and business continuity issues.
- The number of other systems identified in the report as critical was noted.
- The need to ensure the Council resolved the provision of its data centres was also noted.
- The development of the Corelogic social care package was discussed. It was confirmed that this was on target to be implemented by mid-November. Work was continuing to resolve the admittedly complex issues of data sharing with the PCT, the scope of which was not yet fully defined.
- In reply to a question about procurement the Interim Deputy Chief Executive said that this would be undertaken in accordance with the recently revised procurement policy and would be aligned with the PCT. The PCT had its own procurement policy but this was not significantly different to that of the Council. The principal complication that arose was where the NHS itself had requirements as to what systems the PCT should use, for example Human Resources. Whilst it was possible to have an objective of the Council and PCT having one system, and to bear in mind the links between the Council and PCT systems in the procurement process, the timescale for achieving one joint system, if it were to happen, was dependent on the NHS. He added that one of the benefits of the project would also be better use of technology that had already been procured.
- It was asked whether the Strategic Health Authority had offered technological or financial assistance. The Interim Deputy Chief Executive said that the SHA sat on an ICT group chaired by the Council's Chief Executive that included representatives of the PCT and the Hereford Hospitals Trust. The Council was also seeking to draw on expertise available under the Regional Improvement and Efficiency Programme
- The revised business case projected revenue savings of £3.4 million per annum by 2012/13. It was suggested that savings of that level could only be achieved

through staff reductions. It was asked if an analysis had been undertaken of where these reductions would be made. The Head of Financial Services said that an assessment had been made and where appropriate discussed with managers. The bulk of the projected savings were in fact expected to be delivered by savings in procurement. Savings from reductions in the use of agency staff had also been identified.

- The Cabinet Member (Corporate and Customer Services and Human Resources) said that the current systems led to considerable duplication. The removal of this would have an impact both on the number of jobs at various levels within the organisation and on ways of working. This could mean redundancies but change might be manageable through turnover. She suggested Members might find it helpful to visit another authority where new systems had been successfully implemented.
- That the significant risks to current systems and the cost of failure both financial and in terms of customer service made swift progress essential.
- The Chief Executive said that the Connects Programme had been put on hold to enable a reassessment to be made and to propose a way forward that was realistic and deliverable. That is what had been done. The proposal in the report was realistic and prudent in terms of the projected savings, with the potential for larger savings to be made. The project would be properly monitored and project managed.

RESOLVED:

That Cabinet be advised:

- (a) there is clearly a need to address the growing risk of systems failures highlighted in the Deloitte report promptly;**
- (b) that the wording of the proposed new vision for Herefordshire Connects as set out in the Deloitte report should be revisited; and**
- (c) that the Committee continues to desire reassurance that the Connects project will deliver what is now promised, noting that promises in the earlier life of the project did not come to fruition, and requests Cabinet to ensure measures are put in place to enable effective monitoring of the delivery of the project.**

19. END OF YEAR PERFORMANCE REPORT

The Committee considered performance for the whole of the operating year 2007-08 against the Annual Operating Plan 2007-08, Best Value Performance Indicators, and the Direction of Travel indicators used previously by the Audit Commission.

The Corporate Policy and Research Manager (CPRM) presented the report. He said that whilst there had been clear improvement overall there were a number of areas that needed to be addressed.

Targets had not been achieved for 36% of the performance indicators where the Council was the lead. However, although the targets had been missed, performance had improved for 45% of these indicators compared with the previous year.

Whilst performance against the majority of indicators continued to improve, performance against the targets in the Annual Operating Plan was more mixed. He noted that in terms of two of the Council's top priorities: Older People and Healthier Communities, 88% of indicators used in the Direction of Travel assessment had improved but only 1 of 8 indicators in the AOP achieved target. In the case of Children and Young People 81% of indicators had improved over the year but only one-third of AOP indicators had achieved target. He suggested there was particular scope for the Committee to challenge the failure to hit targets that were set locally.

He highlighted that the main risk to improvement was that the key points to emerge from the report would not be addressed, and that this would be reflected in adverse judgements under the Comprehensive Area Assessment in 2009. This would be avoided if Directors ensured that the issues were picked up and addressed within their respective areas, updating service improvement plans accordingly.

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

- It was observed that performance against the Best Value Performance Indicators for planning showed a deterioration in performance compared with the previous year. The CPRM said this was an example of a situation where statutory targets were still being met but the Service had made a trade off between performance and investment.
- Questions were asked about how the Council might be expected to fare under the new Comprehensive Area Assessment (CAA) regime, which would come into effect from April 2009, with the first published assessments in the autumn of that year. The CPRM said that at the heart of this, although by no means the only factor, would be the Council's performance, with its partners, in achieving the priorities and targets in the new Local Area Agreement. Although not yet officially confirmed, it seemed likely that there would be two complementary assessments under CAA: a scored assessment of the Council in its own right; and an area assessment of Herefordshire's prospects for improvement, which would identify strengths and weaknesses but not give a numerical score. This would simplify matters in one sense but would make some regional and national comparisons more difficult. The most important thing was for the Council and its partners to work together effectively to deliver the improvement in the areas they had identified as the priorities for the county, based on a sound understanding of needs and the wishes and aspirations of people and communities.

RESOLVED:

- That (a) performance in 2007-08 be noted; and**
- (b) Directors prioritise and address the issues within their respective areas, including the updating of Service Plans**

**20. COMPREHENSIVE AREA ASSESSMENT PREPARATION PROGRAMME
PROGRESS REPORT**

The Committee considered progress against the Comprehensive Area Assessment Preparation Programme.

The report identified at paragraph 5 a number of actions marked Amber where remedial action was needed to ensure that the targets were achieved. A number of seminars were programmed at which the focus would be on what the Council and its partners could do to ensure improved performance.

RESOLVED:

- That (a) **progress made in delivering the Comprehensive Area Assessment Preparation Programme over the first 6 months of 2008 be noted; and**
- (b) **the need for effective remedial action for the items marked Amber, as listed in paragraph 5 of the report be agreed.**

21. UPDATE ON REVIEW OF CONSULTANT EXPENDITURE 2007/08

The Committee considered progress on its requested review of the Council's use of consultants during 2007/08 and was asked to agree a proposed definition of the term "consultancy".

The report noted that work since the Committee's request in February had found a lack of consistency across the Council in the use of the term "consultancy". A definition was proposed upon which a report to the Committee would then be based.

Members discussed the proposed definition of consultants. The view was that the report should focus on task based activities where the Council had purchased external support. It was also requested that the report should examine the value for money of the use of consultants based on that definition.

RESOLVED: That a report be presented to the Committee in Autumn 2008 focusing on task based activities where the Council had purchased external support and examining the value for money of the use of consultants based on that definition.

22. SCRUTINY ACTIVITY REPORT

The Committee noted work being undertaken by the Scrutiny Committees.

This included a proposal by the Children's' Services Scrutiny Committee regarding the appointment of Councillors on the Committee as champions for one of each of the outcome areas of the Every Child Matters agenda. It was noted that this would be considered as part of a future report on the future structure of scrutiny arrangements.

Attention was also drawn to the Health Scrutiny Committee's request that an additional two meetings for the Committee be scheduled when the 2009/10 diary was being prepared and that the Strategic Monitoring Committee give consideration to requesting the same provision for the other Scrutiny Committees. The Assistant Chief Executive - Legal and Democratic said that consideration needed to be given to the implications of this change. It was agreed that a report would be made to the Committee.

RESOLVED:

- That (a) **a report on a proposal by the Children's' Services Scrutiny Committee regarding the appointment of Councillors on the Committee as champions for one of each of the outcome areas of the Every Child Matters agenda be considered as part of a future report on the future structure of scrutiny arrangements; and**

- (b) a report on the programming of additional Scrutiny Committee meetings be prepared.

23. WORK PROGRAMMES

The Committee considered the Scrutiny Committees' work programmes.

RESOLVED: That the current work programmes serve as a basis for further development.

The meeting ended at 12.40 p.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

1. To consider what comments the Committee wishes to make to Cabinet on the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley Ltd.

Background

2. The Committee received a report on 13 June seeking the Committee's views on the draft recommendations from the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley Ltd.
3. The Committee agreed that the depth and breadth of the preliminary stage of the review and the involvement of the Committee be welcomed; reassurance be provided that any watchman scheme will include Local Member views as a matter of course; it be recognised that relationships between the two organisations and unity of culture are key and that where bad practice is identified this should be remedied on an ongoing basis; all Members be invited to comment on the review; and that the Committee should be provided with a further opportunity to comment on the review prior to recommendations being considered by Cabinet.
4. The report to Cabinet on 11 September is appended.

RECOMMENDATION

THAT the Committee considers whether there are any comments it wishes to make to Cabinet on the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley Ltd.

BACKGROUND PAPERS

- None

SERVICE DELIVERY REVIEW

PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

11 SEPTEMBER 2008

Wards Affected

County-wide

Purpose

To consider the recommendations of the Service Delivery Review of the Council's Service Delivery Partnership with Amey and seek approval to commence formal negotiations regarding a preferred model of future service delivery.

Key Decision

This is not a Key Decision.

Recommendation(s)

- THAT (a) the final report of the Service Delivery Review be noted;**
- (b) Officers be authorised to commence formal negotiations with Amey to secure changes to the partnership to reflect a preferred model of service delivery whilst also addressing where possible anomalies and weaknesses in the current contractual arrangements;**
- (c) The Herefordshire Model of service delivery, as outlined in this report, be pursued as the preferred model and used as the basis for negotiations. Under this model, subject to successful negotiations, Amey would take on the relevant Council staff responsible for these areas under TUPE arrangements;**
- (d) Asset Management and Property Services be excluded from the negotiation whilst a wider review of the property estate and its management is carried out and that this is completed by the end of March 2009;**
- (e) A report be submitted to Cabinet on conclusion of the negotiations and the negotiation of the preferred model in (c) above does not restrict the recommendation of a different model if it is clear that this would be in the Council's best interests.**

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

Reasons

The Service Delivery Review has sought to review alternative forms of delivery with a view to identifying ways of securing annual savings of £1million and improving the quality and level of service. The approach outlined in this report is considered to offer the potential to achieve these objectives and approval is sought to enter into formal negotiations with Amey.

Considerations

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, of reviewing 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 were:
 1. To review alternative forms of delivery with a view to securing annual savings to the Council of a minimum of £1 million.
 2. 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 presented in full in the report entitled "Phase 2 Report, Service Delivery Review – Review of Herefordshire Council's Strategic Partnership Agreement with Amey". A copy of this report is attached at Appendix 3.
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 Project Team was led by the Interim Head of Highways. 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. Cabinet is invited to consider the recommendations of the review and authorise officers to commence formal negotiations with Amey to secure improvements to the partnership and make appropriate consequential revisions and improvements to the current contractual arrangements.

Involving Staff and Stakeholders

7. 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.
8. 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.
9. A Staff Focus Group was also established to provide a further opportunity for staff to be involved in the review. Representatives from this group and unions were invited to attend Project Board and Project Team meetings and to provide challenge at key stages in the review process.
10. 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.

Member Involvement

11. The draft final report of the review was reported to Strategic Monitoring Committee on the 13th June 2008 seeking their views to help inform the completion of the review and the preparation of a report to Cabinet. The minutes of the meeting are attached at Appendix 1.
12. The Committee asked that all Members of the Council be given the opportunity to comment on the draft report and that the Committee be given the opportunity to consider the report that would be presented to Cabinet in advance of a decision being taken. The Interim Head of Highways wrote to all Members on 24th June 2008 enclosing and inviting comment on the report considered by Strategic Monitoring Committee. The comments received are attached at Appendix 2.
13. The comments focus mainly around concerns regarding current quality of service delivery, value for money and a wish to see improvement. These comments have been considered in completing the final report.

The review process

14. The review was undertaken in two phases. These were as follows:

Phase 1: review of a wide range of options against key criteria.

Phase 2: detailed review of remaining options selected from Phase 1.

Phase 1

15. 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.

16. 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.

17. 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.

18. 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 delivery be included, based on the approach adopted by Gloucestershire County Council. Gloucestershire adopted a strategic approach and established a single delivery organisation without staff transfer taking place and staff remaining employees of their original employer.

19. 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;

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

20. Phase 2 of the review has considered the shortlisted options in more detail to identify a potential model for future implementation in Herefordshire.

21. 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 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.
22. 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.
 23. The 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 shortlisted 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.
 24. 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.

Recommendations of the Service Delivery Review

25. The final report recommends that a Herefordshire model of service delivery comprising the following key elements would be most likely to achieve the aims of the review.

Recommendations for the Herefordshire Model

- An integrated service delivery organisation that allows efficient service delivery
- A strategic interface between the two organisations that encourages performance measures based on outcomes for the citizens of Herefordshire
- A rigorous performance management scheme to ensure that the partnership can demonstrate the extent to which it is driving improved outcomes for the people of Herefordshire. This performance management scheme will be capable of demonstrating both quality of service and value for money. It will:
 - Define performance measures linked to the service delivery plan
 - Drive outcomes that help deliver the Community Strategy for Herefordshire
 - Recognise the need to drive key outcomes that cut across Directorates
 - Ensure that the partnership can demonstrate value for money
- A link between the level of performance attained and both profitability and contract extensions; ensuring that there are consequences for both good and poor performance
- A performance management regime that drives continuous improvement and learning from experience; both successes and mistakes
- Encouragement of a strong local influence on service delivery by including, for example, the watchman scheme and locally allocated budgets for delivery of locally important schemes

26. The review identified two alternative staffing options for delivering an integrated organisation for service delivery. These are:

- a. The service delivery organisation is staffed by Amey employees.
- b. The service delivery organisation is staffed by both Amey and Herefordshire Council employees working in mixed teams.

27. The Project Board considered the relative merits of the alternative staffing arrangements. The key pros and cons as considered by the Board have been summarised below:

Summary of Key Pros and Cons of the model options considered by the Project Board

Model	Pros	Cons
Improved Business as Usual	<p>Only requires limited renegotiation and change to the Council's organisation.</p> <p>Strengthened client team could help overcome areas of disagreement in current arrangements.</p> <p>Little disruption for staff</p>	<p>Estimated savings do not meet review objectives</p> <p>Unlikely to deliver significant improvements in service</p> <p>Complex accountability for service delivery remains</p> <p>Unlikely to secure cultural change that is required</p>
Managing Agent (staff transfer to Amey)	<p>A straightforward contractual relationship</p> <p>Clear accountability for service delivery</p> <p>Single, integrated service delivery team</p> <p>Amey have good experience of implementing MAC contracts for highways</p> <p>Amey has significant experience of successful TUPE transfers, over 6000 of their 9000 staff having transferred from the public sector</p> <p>Cultural change may be easier and quicker within a single employer</p>	<p>The process of tupe-ing staff could be disruptive</p> <p>Transferring some staff from the council would lead to a loss of knowledge that could limit options for delivery in the future</p> <p>Some key staff may not wish to transfer to Amey and may choose to seek alternative employment</p> <p>Council has no direct control over performance of staff</p> <p>Council reliant on Amey for management of reputational risk</p> <p>Parts of the model will be new for both Amey and the Council and there is a risk that a suitable agreement cannot be defined and agreed</p>
Integrated Services (Staff continue to be employed by current employer with integrated management)	<p>Clear accountability for service delivery</p> <p>Single, integrated service delivery team</p> <p>Reflects the approach adopted by the Council and PCT</p> <p>Retains flexibility in the future – potentially more readily adaptable to changes, both external and within the Council/PCT</p> <p>Has potential to apply different approaches for different service streams</p>	<p>A cooperative approach to HR support would be required, which might require more resource</p> <p>Integration could be slower than in the Managing Agent model</p> <p>Management of mixed teams of Amey and council staff will be more complex</p> <p>Achieving cultural change could take longer and be more complex</p> <p>The model will be new for both Amey and the Council and there is a risk that it will be difficult to</p>

	<p>Implementation could be phased and is likely to be achievable earlier than the managing agent approach</p> <p>No tupe would mean less disruption for staff</p> <p>Council retains more control over performance of some service delivery staff through its performance management procedures</p> <p>Potential benefits from shared organisational learning (Amey and Council/PCT)</p>	<p>define a suitable agreement</p>
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28. Given the pros and cons of each approach, the Project Board considered that the only model that could potentially be applied to all service areas at that time was the integrated services model. Therefore, with a view to taking a consistent approach across all service areas and considering the relative merits of the different options, the Board considered that the approach for recommendation to Cabinet would be:

- a. A Herefordshire Model as outlined in the report with integrated staffing arrangements established through integrated teams and management rather than through staff transfer, along the lines of the Integrated Services model
- b. That this approach be subject to a review of performance after 18 months of operation to establish whether any further change should be made.

29. Such an approach was considered to be consistent with that being taken by the Council in relation to establishing integrated working arrangements with other partners such as the PCT.

30. However, consultation on the draft of this report highlighted a number of concerns about the practicality of the integrated services model, its ability to deliver the cultural change required across all partners and concerns about including Asset Management and Property Services at this point. At the time the Board made its recommendations Amey had indicated that they would require a single approach applied across all service areas. Since then Amey has submitted a proposal suggesting the establishment of a managing agent arrangement without the Asset Management and Property Services elements pending a further review of this service alone. The potential savings that have been identified during the review do not relate to Asset Management and Property Services. Following consideration of these factors, it is recommended that:

- a. A Managing Agent model is used as the basis for negotiations covering highways and related work (i.e. grounds maintenance, street and toilet cleansing and public rights of way). Amey would take on the Council staff responsible for these areas under TUPE arrangements, the details of which would be determined through the proposed negotiations. It is important to note, however, that the negotiation proposed above does not in any way restrict the negotiating team in recommending a different model if, during the course of the negotiations, it is clear that this would

be in the Council's best interests.

- b. Asset Management and Property Services would be excluded from the negotiation whilst a wider review of the property estate and its management is undertaken by the end of March 2009
- c. Work presently carried out for Asset Management and Property Services would be for the present time be excluded from the establishment of Managing Agent arrangements and would be carried on in the present form, pending the recommendations of the wider review

Next Steps

- 31. Subject to Cabinet endorsing the recommendation of this report, formal negotiations would be undertaken with Amey to secure improvements to the partnership. These would seek to agree appropriate revisions and improvements to the current contractual arrangements that would be needed to enable the implementation of the preferred model. In anticipation of the need to undertake formal negotiations, initial preparations have begun to ensure the Council is in a position to undertake successful negotiations. This has included the establishment of a project board drawing membership from the relevant directors.
- 32. It is anticipated that preparations for the negotiations, the establishment and training of the council's negotiation team will take place during September and early October with formal negotiations following in October / November. Subject to the satisfactory completion of these negotiations, a report will be prepared for consideration by Cabinet reporting the outcome of the negotiations and seeking approval to proceed. Subject to the above, it is anticipated that the new arrangements could be put in place for the start of the next financial year in April 2009.
- 33. In order to ensure the Council takes a sound approach to the negotiations with Amey, external procurement expertise has been appointed to assist with the preparations for the negotiations, train and, if necessary, support the negotiation team during negotiations. The negotiation team may also need to draw on internal and external technical, financial and legal advice during the negotiations. The cost of renegotiating the contract is estimated to be £200,000 including consultancy fees for external legal and contract renegotiation advice.

Conclusion

- 34. This report is due to be considered by Strategic Monitoring Committee at the meeting of that Committee on 10th September 2008. The views expressed by the committee on this report will be reported verbally to Cabinet.
- 35. The Service Delivery Review has taken a comprehensive approach to considering the different approaches that could be taken to future service delivery within the context of seeking to identify the potential for achieving savings and improving services. Cabinet is invited to consider the recommendations of the review, authorise officers to enter formal negotiations with Amey and confirm their preferred approach for future service delivery as a basis for those negotiations.

Financial Implications

The Herefordshire model of service delivery (based around the Managing Agent contract model as outlined in this report) is recommended as the basis for negotiation with Amey. It is expected to deliver annual savings ranging from £800,000 to £1,018,000 a year. The same range of savings is predicted with the integrated services model, whilst the improved business as usual model is expected to deliver £568,000 of savings a year.

Securing the savings identified under each model is not guaranteed. Whilst care has been taken in preparing these estimates, delivering these savings would be subject to successful negotiation and implementation of the model of service delivery chosen in partnership with Amey. Once the one-off costs of renegotiating the contract have been recovered, the council would have the opportunity to decide how to reinvest the cash savings released by the new model of service delivery.

The cost of renegotiating the contract – whichever model of service delivery is chosen – is estimated to be £200,000 including consultancy fees for external legal and contract renegotiation advice. This cost pressure was not identified and included in the Medium Term Financial Management Strategy 2008 – 2011 (MTFMS) approved by full Council in March 2008. It can however be met from additional treasury management gains in the current financial year that the Financial Services team expects to deliver over and above the increased target already set for it in the MTFMS.

The one-off costs of implementing the chosen model of service delivery will vary with the model chosen. The improved business as usual model is likely to be least costly as the staffing implications will be more limited. The Herefordshire model of service delivery is likely to be the most costly as it involves the most significant amount of change for existing employees. Neither the one-off costs of implementing the chosen model of service delivery or the allocation of potential savings to council priorities is currently included in the MTFMS.

Phase 3 of the Service Delivery Review project deals with the contract re-negotiation issues. The estimates for potential savings and the one-off costs of implementing the chosen model of service delivery will be further refined as part of this process. As outlined elsewhere in this report, officers will report on the outcome of the renegotiations and the financial business case in order to seek formal approval for moving into the implementation phase of the project and inclusion of the estimates in the MTFMS.

Legal Implications

None as a result of this report.

Legal advice has indicated that, subject to the scope of the current contractual arrangements not being extended it is acceptable to renegotiate the terms of the current arrangements with Amey without the need for re-procurement. Legal advice will be available throughout the proposed negotiations to ensure the approach being taken is acceptable from a legal perspective.

Risk Management

The Service Delivery Review has taken a comprehensive approach to reviewing the

alternative options for future service delivery to help identify the appropriate way forward. In order to ensure effective negotiations and minimise risk, external procurement advice has been identified and appropriate legal, financial and technical advice will be drawn upon as required in preparation for and during negotiations.

Alternative Options

Alternative options and their implications are presented within Appendix 3 of this report.

Consultees

The approach taken to involving stakeholders is outlined above. Consultations have taken place during the review with all members of the Council, staff within potentially affected services and Amey.

Appendices

Appendix 1 – Extract from Minutes of Strategic Monitoring Committee 16th June 2008

Appendix 2 – Further comments on draft Phase 2 Report received from Members

Appendix 3 - “Phase 2 Report, Service Delivery Review – Review of Herefordshire Council’s Strategic Partnership Agreement with Amey”

Background Papers

None identified.

Appendix 1 – Extract from Minutes of Strategic Monitoring Committee 16th June 2008

The Committee's views were invited on the draft recommendations from the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley Ltd. A draft report on Phase 2 of the review had been circulated separately to the Committee.

The Director of Environment and Culture introduced the report. He said that a great deal of work had gone into the review, reflecting the importance attached to addressing the Partnership's shortcomings in delivering services that were highly visible to the public. The future emphasis needed to be on addressing issues as they arose, quickly and efficiently.

The Acting Head of Highways and Transportation presented the detail of the report. The two stated objectives of the review were to review alternative forms of delivery with a view to securing annual savings to the Council of £1 million and to improve the current level and quality of service. He explained how the review had been conducted and how 18 possible delivery options had been reduced to 3: the improved business as usual model; the managing agent model, which would give greater responsibility for planning to Amey; and the 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.

The aim was to develop a model tailored to meeting the needs of Herefordshire. It had been concluded that the improved business as usual model would not achieve the degree of improvement or level of savings required. The other two models offered a potential basis for negotiation.

He emphasised the extent to which the financial savings were estimates and dependent on successful implementation of the model and could not be guaranteed.

He also drew attention to the appendices to the report setting out the scope of the contract, a description of the 3 shortlisted service models, a summary of the methods used in estimating potential staff savings and the Amey capability statement.

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

- In response to a question, the principle of the "watchman" scheme it was proposed to include in the Herefordshire service model was explained. The scheme was in place in Bedfordshire and had improved links with local communities, providing a single local contact with a delegated budget and a remit to target resources.
- A number of examples were given of where service was not currently being delivered to the required standard by Amey.
- There was discussion of how savings could be achieved without an adverse effect on service delivery. The Director said that the savings were to be achieved without reducing service. There was considerable duplication of effort at the moment with an unnecessary degree of checking. Where there was a clear outcome to be achieved, as in the emergency response to the 2007 summer flooding, the partnership worked well. That was the approach that needed to be fostered.
- It was noted that Bedfordshire, where the managing agent model, involving Amey, was used, had invested £4 million to generate improvement in its services. This

approach seemed to contrast with the reduction in costs envisaged by the Council in Herefordshire in circumstances where services were not being provided to an appropriate standard with the existing level of resources. The Director replied that the relevant Council Services had a higher Comprehensive Performance Assessment rating than Bedfordshire's had had at the time. He reiterated that the aim of the review was to deliver better value for money, both reducing cost and increasing quality. It was highlighted that if the potential savings could be realised this would provide the Council with an opportunity to consider reinvesting in additional service provision.

- It was stated that Members had evidence of schemes carried out by Amey costing far in excess of what they would cost in the market place. In this context the apparent intention to achieve savings by reducing the level of challenge of contract costs was questioned.
- The Director said that challenge by the client side was critical to the delivery of any future service model. A key part of the negotiations would centre on market rates. He considered that comparative information on schemes could be obtained to ensure that there could be appropriate challenge of costs.
- A Member observed that the fundamental problem with the Partnership's operation appeared to be the interface between the Council and Amey. This suggested that the managing agent model might offer the best way forward.
- It was noted that the report referred to the need to correct examples of poor relationships between Council staff and Amey staff. This had been commented on in the Committee's scrutiny review of the Partnership completed in 2006. It was disappointing to see that this issue remained unresolved. The Director said that the review acknowledged the need to effect change in working relationships to deliver service improvement in the next five years of the contract's life.

It was suggested that it was important that action was taken now to seek to improve relationships and not just await the outcome of the review. In reply it was said that the review had provided an opportunity to explain the type of behaviours that were expected and a number of quick wins had been identified and acted upon. Anomalies in the current contract would be removed and robust action taken to counter inappropriate behaviour.

- Members highlighted that the need for senior management commitment to partnership working should not be singled out as a requirement because it was clear that commitment by all was required.
- Reference was made to the comment in the Audit Commission's report on value for money in strategic partnerships that, "very few strategic partnerships have achieved financial benefits."
- Concern was expressed at the late delivery of invoices in relation to the street lighting service and the impact on the Council's final accounts.
- That the views of Councillors should have been sought as part of the process. Attention was drawn to the examples of poor service by Amey that Members found in their wards. The Director said that he would welcome Member input into the review. Members proposed that the views of all Members should be invited.

- It was suggested that the Committee should have been provided with more detail on how the estimated savings were to be achieved. The Director said that a large part of any savings would be a result of reductions in staff costs because this currently accounted for a large proportion of expenditure. It was premature at this stage to speculate on the detail. This would emerge during the negotiations.
- That whilst the phase 2 review report was good it did not address sufficiently the commercial environment and the fact that in entering negotiations Amey would not accept a reduction in their profit.
- A further question was asked about Bedfordshire's contract with Amey. The Director said that the contract was not seen as a blueprint but suggested some possible approaches. He acknowledged Amey's motive was to make profit. The key was to ensure that profit was dependent on delivery. The Bedfordshire contract focused on outcomes. There was provision in their agreement for a series of one-year extensions to be added the original 10-year contract as an incentive for Amey to deliver on target. Any such extension awarded by Bedfordshire was dependent on satisfactory yearly performance outturns. The Director indicated that such a framework could encourage capital investment by Amey as they would then be able to plan for recouping their outlay in the medium and long term.
- An interpolation of the information on the projected savings suggested a 50% chance of £800k being achieved and a 10% chance of £1million.
- The Cabinet Member (Corporate and Customer Services and Human Resources) commented that the eventual solution needed to be robust to meet the challenges that lay ahead. She emphasised the need to insist on staff complying with the Council's requirements in seeking to develop partnership working.

The Chief Executive summed up the position, emphasising the need for an effective partnership relationship in which there could be confidence in service delivery. This would involve the Council as client undertaking some benchmarking against market rates. However, excessive supervision would not work. The contractor should be judged on outcome and price.

The Committee considered its further involvement in consideration of this issue, agreeing that it would wish to have a further opportunity to comment prior to a decision being made by Cabinet.

RESOLVED:

- That (a) the depth and breadth of the preliminary stage of the review and the involvement of the Committee be welcomed;**
- (b) reassurance be provided that any watchman scheme will include Local Member views as a matter of course;**
 - (c) it be recognised that relationships between the two organisations and unity of culture are key and that where bad practice is identified this should be remedied on an ongoing basis;**
 - (d) all Members be invited to comment on the review; and**

- (e) that the Committee should be provided with a further opportunity to comment on the review prior to recommendations being considered by Cabinet.**

Appendix 2 – Further comments on draft Phase 2 Report received from Members

Cllr Chris Chappell
I am not certain of your timetable but I would like the Audit & Corporate Governance Committee to have sight of report before being finalised! The scheduled next meeting of the A&CG Committee is 25/0908. If this is a difficulty for you please discuss with me.
Cllr Phil Edwards
<p><u>Comments circulated at SMC 13th June 2008</u></p> <p><u>Main Report paras:</u></p> <p>3. SMC found difficulty in commenting on this review without being provided relevant information regarding the Scope for the existing Service Delivery Partnership and the scope for this particular exercise albeit some detail was eventually found at the end of the 46-page report.</p> <p>i.e. Aiming to secure annual savings to the Council of a minimum of £1 million is difficult to place into context without approximate overall annual values of the contract being declared. If this not be possible, why not use percentage savings criteria.</p> <p>No annual ‘uplifts’ or contract inflation percentages are declared within the Report. Objectives to improve on current quality and level of service should be treated as ‘the norm’ for partners working within a standard Performance Management Framework!</p> <p>5. This Review could have benefited from Elected Members input during the process, if they had been approached.</p> <p>11. It would have been helpful for SMC to have been provided with general outputs derived from the independently facilitated sessions held for Staff who directly inputted into the process.</p> <p>12. SMC cannot comment on 16 of the 18 initial service delivery options forwarded as no details have been provided to the Committee.</p> <p>16. It is noted that the Staff Focus Group requested that the Integrated Service Model i.e. Gloucestershire, be considered.</p> <p>18. SMC endorses full use be made of the Audit Commission Report titled “for better or worse, Value for Money in Strategic Service Partnerships” in striving to find model options which could contribute greater benefits for Herefordshire. Their findings (page 46) listing that “very few strategic partnerships have achieved financial benefits” is seen as disappointing.</p> <p>21. The Executive Summary which highlights elements recommended to form part of a Herefordshire Model of Service Delivery should ensure the Watchman scheme allows for Local Member inputting.</p> <p><u>Executive Summary</u></p> <p>Para 7. Whilst it is noted that both the Bedfordshire (managing agent) and the Gloucestershire (integrated services model) appear to fit the ‘savings’ objective there is no evidenced based detail to support this theory.</p> <p><u>Conclusions – The Herefordshire Model</u></p> <p>Para 10. The Fundamentals listed as essential toward good partnership working are agreed but ‘senior management commitment’ should not necessarily be singled out for mention, better to simply stress ‘total commitment by all’ to partnership working.</p> <p><u>Overview of the Project</u></p> <p>Para 27. Whilst this Draft Review indicates the Bedfordshire model offers a lesser service range of business areas no mention is made of Herefordshire having an option to re-look at the current range of services provided. The Herefordshire model needs to establish the range of services to be provided, staff levels and relevant accommodation.</p>

Performance Management

The Committee agrees with the comment (Fundamentals on page 43) that “the vision of The Herefordshire Service Delivery Partnership developed in 2003 has not been realised” and further agrees the listed framework of good foundations be negotiated.

Appendix D

It is noted that the listed improvements taking place throughout Bedfordshire (CPA rating 0 to 3) benefited by kick starting of additional £4 million.

Herefordshire’s current on the ground reality is (in some areas) that;

- Smashed glass remains on urban street kerbs & footway, sometimes for months.
- Grass areas heavily weed infested and left to reseed.
- Weeds now excel on kerbs & pavements partially due to seed from non-mown areas.
- Council HQ at Brockington display bed of weeds at main entrance now seen as norm!
- Verbal advice of urban fortnightly grass cutting yet June 2008 some just received first cut.
- Children play in the streets as play areas not mown.
- Examples of damaged street signs, litter bins, loose kerbs many months overdue repairs.
- Street surface dressing around parked vehicles & into kerb drains.
- Public & Member quotes of repaired potholes failing within hours of repair.
- Graffiti accelerating whilst Streetscene await graffiti buster service, etc.

SMC 130608 PJE

Cllr Mrs P Andrews

Richard - regarding the Amey contract - from the point of view of councillors it is simply not delivering. Just who monitors job quality? And I understand that their charges are well above what local firms would charge for the same work. I do not have enough technical knowledge to decide which proposal would offer the best way forward - all that I ask is that whatever solution is chosen by the current administration it offers both a better quality of service and better value for money.

Cllr Mark Hubbard

As Ward Cllr for central ward I welcome the Service Delivery Review of the Councils Service Delivery Partnership with Amey.

The partnership contracts are described as services provided by Amey Wye Valley and Amey Consulting formerly Owen Williams.

I note and welcome the objectives to improve and find costs savings and also to improve and ensure better quality of projects and project service delivery.

As the report appendices have no reference numbers, cross referencing my comments to these reports is likely to be confusing to the reader, therefore I have set out below general points that apply to the entire set of documents and do make reference where possible to the appendix and page number. Also I include a conclusion at the end and recommendations throughout my summary report.

Feedback

General Points

1/The review of the service seeks to identify costs savings and improvement in quality. Yet cost and quality are of course linked. In my view the report does not investigate fully quality control mechanisms and the affect of reduced costs on such quality. Cost, Quality and Project Time are linked; generally it is possible to deliver two out of the three. The

SDR does not in my opinion explore exactly where and how quality and project time will be measured against cost saving.

2/The alternative Service Delivery Models considered refer in most part to highway matters. The Bedford Model is to be welcomed, however it only investigates improvements to transport and highway service delivery. What about the other aspects of the partnered services, it is a mistake to assume that the Bedford model will also work in other areas of delivery in partnered services. For example architectural services, building maintenance, grounds maintenance and the design quality of the street scene and built environment.

3/The review of the Councils Service Delivery Partnership with Amey does not go far enough to review past projects. Hightown and Eign Gate Street scene are projects where considerable public disquiet and mis-trust of the partnered service was promoted. In the eyes of the public these projects were poorly designed and executed and thus strike right at the heart of the service partnership. These projects need to be reviewed and the problems identified and fixed.

4/ The review of the Councils Service Delivery Partnership with Amey Wye Valley does not focus sufficiently on the Amey Consulting partnership. Quality of public realm and architectural services is omitted from the review completely. Cost savings are instead centred on staffing issues, management issues and other models for partnership. They do not centre on specification standards and quality. For example the council needs to recognise that when it is paying for gold it is getting gold not iron. This can only be measured when mechanisms bring to light the specification and quality of projects. High Town is a good example – Brass letters falling out of paving demonstrates this project lacks best value. This stems from a lack in specification quality being held in view during the beginning of the procurement and partnership on that particular project. Traditional tendering procedures whereby the design of a project is fully costed and specified prior to going out to tender leading to selection of a contractor, would have produced a better result. In my view the service partnership fails this authority when it comes to architectural services and quality.

5/The slow creep of additional services added to the Amey a service contract is more a business model promoted by Amey to secure ever-greater services from Local Authorities. This is not necessarily the best route to deliver cost savings and quality. Architectural Services, Street Scene Projects and Maintenance of Heritage Buildings are in my view areas that should be omitted from the Amey service contracts. Other more suitable tendering procedures exist in the private sector and this will give the Authority better delivery of quality and accountability. The absence of architectural competition, the endless creep of road signage and the lack of care and maintenance of the county's heritage assets are all areas where public mistrust of the authority can be improved considerably in terms of improvements to quality and ultimately cost saving. In my view this aspect of service should be passed to outside service providers and tendered on a project-by-project basis.

6/ I would recommend that the architectural services element of service delivery be omitted from the Amey Consulting contract. This is better procured through other methods as laid down by government and promoted by the Royal Institute of British Architects RIBA, and the Architects Registration Board ARB, which is governed by and regulated by an act of parliament. Amey Consulting formerly Owen Williams in my view does not retain good quality architectural services and broadly originates from road engineering. This is where the authority fails to deliver better quality buildings, and public realm in the eyes of the public.

Appendix A

Page 1

The scope of the contract covers areas, which are practical and sensible for partnered delivery for example, materials testing, traffic engineering and technical services.

However some areas of the service contract require ideological input from the public authority and these are areas where the Amey service contract fails the authority. For example highway design and the promotion of shared space, infrastructure development and modal shift scenario planning, architectural quality of public buildings including schools i.e. Riverside primary school is a good example of lack of design quality right at the heart of the education of young people.

I question how are Design Briefs written?

I question how are Service Orders made?

Page 5

Specialist Works

This paragraph in my view sums up where the service partnership fails the authority.

This promotes a catchall cover-all eventuality arrangement. There are no clear mechanisms of writing a brief or managing cost and quality. Sustainability is mentioned and of course misused.

Page 6

The Highway Service

The authority through this service contract does not appear to be able to promote better highway design quality or any particular project aspiration or ideology. For example the highway statement of works centre around the everyday issues, yet they do not appear to be able to promote or list services that work towards shared spaces and better street scene environments, this is where the authority will find and identify better quality in the eyes of the public.

Page 8

The Facilities Management Service

This promotes in my view a totally unacceptable form of care for our heritage assets.

The conservation and care of heritage is a specialist area. The service contract either totally ignores these repairs stacking up a greater maintenance liability or it conducts such repairs and fails to deliver on quality given that Amey services do not have the skills sets required.

In my view this aspect of facilities management should be passed to outside service providers and tendered on a project by project basis.

Page 10

The Facilities Management Service Para 3.1.1.a

The Civic Estate highlighted under The Schedule 10 is omitted from circulation therefore I cannot comment.

Page 11

3.1.2.a Preamble 2nd para.

In developing a plan for the “Contractor to extend its role in delivering a wider range of new build and asset replacement works” how does the authority ensure quality delivery mechanisms are applied?

Appendix B

Page 3

Improved Business as Usual

The models will need to also examine the mechanisms for the delivery of quality. The adjustments promoted by the alternative models do not go far enough to examine the need for better quality of delivery in public buildings and care for our heritage assets. The model highlights a large number of client officers are involved in ordering. This implies a greater need for staff training and management to ensure consistent quality and cost control.

I would recommend that the architectural services element of service delivery be omitted from the Amey Consulting contract, particularly with regard to the design of public realm and heritage building projects. This is better procured through other methods as laid

down by government and promoted by the Royal Institute of British Architects RIBA, and the Architects Registration Board ARB, which is governed by and regulated by an act of parliament. Amey Consulting formerly Owen Williams, in my view, does not retain good quality architectural services and broadly stem from road engineering. This is where the authority fails to deliver better quality in the eyes of the public.

Page 4

Control of cost and quality on service projects cannot come from incentive payments. How are costs tested in the market place to promote real rather than artificial value? How are better labour rates measured, this implies that sampling of the market place takes place. How does this occur? Are some external contracts let, or let on a dummy false basis to sample the market place?

How is specification and quality audited and controlled by the service partnership?

These are all important questions that remain unanswered in the paperwork I have received.

Page 5

I welcome the management structure that introduces a Cabinet Member, the director of environment, the Watchman and management representatives. I also recommend that a scrutiny committee perhaps with external professional involvement be assigned with the role of scrutinising measurement and performance indicators annually.

I welcome all service staff employed by Amey.

I welcome all foundation roles employed by Herefordshire Council.

I welcome the service delivery and foundation organisation being set at a strategic and high level in the authority. Clear accountability must also come with this.

Page 6

I am concerned that extensions to the contract will be used as an incentive for successful delivery of performance indicators. This will promote the setting of low standards in order to further extend the contract and will not necessarily promote best value or quality service delivery. I agree that this is an incredibly blunt tool for offering reward to the contractor.

Page 8

Performance targets that are changed mid way through will lead to lack of clarity and responsibility. This is where accountability within management, project quality and cost suffers. Who will scrutinise or authorise a shift in performance quality. If the authority is paying for gold it should expect gold not iron.

Page 9

Much of this management structure appears unclear and therefore unworkable. No one can work for two bosses clear management structure, responsibility and accountability must be promoted.

Reward payments through contract extension imply a mechanism to promote a fiddle and fudge in the performance indicators. This should be avoided.

Amey performance based upon mixed teams of Amey and Council staff implies no improvement in service from what is currently a confused muddle.

Appendix D

Page 1

Amey appear to gloss over their obligations to other service areas out side of road engineering and highway matters.

Greater scrutiny of service needs to centre on for example, Grounds Maintenance, Architectural Services, Street Scene and Building Maintenance.

Amey state the Bedford model as good example for improvement to service. Yet the service improvement is narrow and limited only to one aspect that of Highway services.

Conclusion

The Partnership Service contract with Amey is not popular within the county. Local businesses and local service providers feel excluded and locked out. This lock out is for

what is in effect decades.

The fact that the Local Authority is a major employer and lets contracts of considerable value it could engage the community more if it were to let more of its contracts to local businesses.

A bottom up approach to service delivery will ensure that the Authority works with its community to raise, standards, technologies, training and knowledge. The service partnership with Amey transfers considerable funds to outside the county and the public are left wanting more in terms of value for money and quality. This vicious cycle promotes local contempt for the authority.

The Authority should re consider the whole partnership experiment and re consider fundamental changes to it. The partnership contract does not promote best value, quality or local community engagement; these are areas where changes must be made.

The partnership contract promotes a distant authority that appears to have no regard for local community or local businesses.

Should the authority wish to seek greater quality in project delivery it should seek the re engagement of its community and local business.

Cllr Mrs Sylvia Daniels

I am sorry to be negative however the service that we get is appalling, one of my reasons is relating to the service we are not getting is that on a regular occasions in the play areas there is a great deal of broken glass and other discarded rubbish where small children and their parents/carers are picnicking with their youngsters.

ALL play areas should be monitored and dealt with early in the mornings, I have been approached by many mums and dads informing me that they no longer have any faith in the Council as they have no duty of care for the people using their facilities, also the toilets in the car park next to the swimming baths is appalling and is known for Drug dealers using the facility.

Also In my opinion the gates should be monitored to make sure that the springs are tight and easily opened by little ones.

Sorry to be negative but we get the angry people before us.

Cllr Mrs Anne Gray

Good Morning, Re the above. Have Impact Risk Assessments been done regarding the above, are they available for the following. Equality and Diversity. I note the policy but --- The concerns of the workforce at present working for Herefordshire Council and the impact of being TUPED over. Also the concerns of many that this workforce would be working for a ' for profit' regime and not for the people who pay their council tax to HC for a service delivered by a work force who are accountable to them, not a private company. This service is one of the measuring sticks that the general public use when gauging how well a council is performing. At present there are some of the services performed by Amey that have deteriorated considerable in the last quarter, is this because of cost cutting or staff moral.

Cllr WJ Walling

First of all I have to apologise for not meeting your deadline of 7th July in making my response to your memorandum dated 24th June. Frankly, I find it very difficult to respond constructively. I don't feel, even after reading your paper that I have sufficient information to comment constructively. All I can say is what Amey undertakes that is readily observable, for example, street cleaning, grass cutting, tending of flower beds is

not done at all well and the inadequacy of what they are doing is frequently commented upon by members of the public.

There needs to be a re-appraisal of their operations, of that there can be no doubt at all. Of the two examples quoted in your memorandum in Bedfordshire and Gloucestershire I tend to favour Bedfordshire option but very tentatively because, as I have said earlier, I don't feel I have sufficient information.

Appendix 3:

“Phase 2 Report, Service Delivery Review – Review of Herefordshire Council’s Strategic Partnership Agreement with Amey”

Phase 2 Report

Service Delivery Review

Review of Herefordshire Council's Strategic Partnership Agreement with Amey

Definition of the Desired Herefordshire Model

Final Report For Cabinet 11th September 2008

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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 considered all areas of service delivery with the aim of defining a solution "the Herefordshire model" that brings together the best features of all the models studied. The Herefordshire model is intended to provide a solution that is suitable for all service areas currently in the scope of the agreement. All service areas in the scope of the contract could, therefore, be included in the subsequent negotiation.
- 3 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:
 - 84.a securing annual savings to the Council of a minimum of £1 million; and,
 - 84.b improving current quality and level of service
- 4 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.
- 5 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

- 6 Eighteen options were identified in a long list of options. These were then tested against a set of key criteria that reduced the shortlist to, 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 Council, Amey Wye Valley and Amey Consulting staff being managed as a single organisation. This Phase 2 report, therefore, examines the potential future partnership between Herefordshire Council and Amey Wye Valley and Amey Consulting through the analysis of the following models (which are described in more detail in Appendix B):
 - 84.a Improved business as usual (improved BAU) which would look to improving the current agreement with extra bonus and

penalty payments

84.b Implementing a managing agent contract (managing agent) that would shift the partnership interface to give a greater responsibility for planning to Amey Wye Valley and Amey Consulting.

84.c Implementing a managing agent type model but with services delivered by an organisation staffed by employees of both Amey Wye Valley, Amey Consulting and Herefordshire Council and managed by a single manager reporting to both organisations (integrated services)

7 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

8 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.

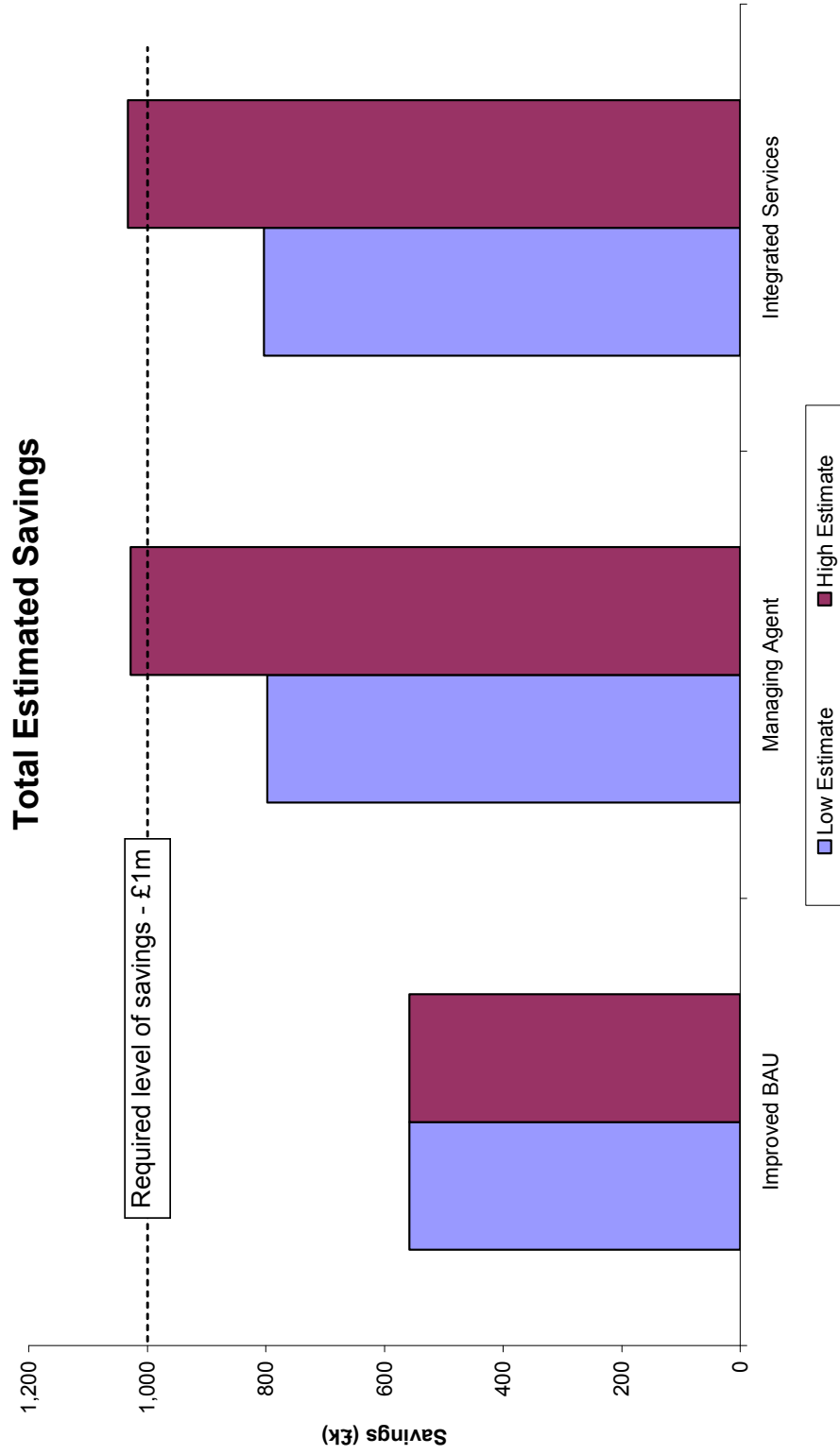


Figure 1 Estimated Savings For Each Model

Conclusions

Introduction

- 9 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.
- 10 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

- 11 We need to be certain that key people in both organisations will support the model sufficiently to make it work. The partnership model, therefore, needs to satisfy a number of sometimes conflicting requirements. These are:
 - 84.a Senior management's appetite for partnership working within each service area
 - 84.b The contractor's desire to have a broad partnership delivering a wide range of services to the council
 - 84.c The most efficient way to deliver services
- 12 The contract underlying the partnership needs to be well constructed and complete.

Organisational interface

- 13 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

- 14 There are two alternative models for delivering the integrated service organisation that should form a suitable basis for negotiation:
 - 84.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.
 - 84.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.
- 15 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.
 - 16 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. Following analysis of the pros and cons of these alternative approaches and responses made during consultation on the draft of this report, the approach outlined in the table below is recommended.

Performance management

- 17 Ideally the performance management system should
 - 84.a Link into the council's performance management framework
 - 84.b Have a range of performance measures designed to demonstrate the impact of service delivery on outcomes
 - 84.c Link both contract profitability and contract extension to performance
 - 84.d Include an effective client side organisation to ensure efficiency and value for money
- 18 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 both by the contractor and the council.
- 19 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

- 20 Council staff already encourage local involvement in service delivery through Parish Initiatives, Parish Lengthman's scheme, Speed Indication Device, attendance at PACTs, regular meeting with PCs, Parish walkabout, Members briefings, working with charities and communities etc. across whole range of council services.
- 21 Any new agreement should improve local Member, parish council, service user and other stakeholder influence on service delivery. Amey operate a scheme, the watchman scheme, in Bedfordshire that offers local stakeholders an effective way to influence service delivery. The watchman scheme improves links with local communities and offers a way for service users to influence delivery. Although it is found in the managing agent model, this scheme could be incorporated into any of the proposed models and, therefore, should form part of the Herefordshire approach in order to continue and strengthen links with stakeholders.
- 22 Engagement processes are both informal: with the emphasis on Amey being proactive in seeking views and responses through one-to-one conversations and surveys; and formal, with locally targeted budgets to ensure that schemes exist to tackle local priorities.

Recommended Herefordshire Model

Recommendations for the Herefordshire Model	
The recommended approach	<p>The Service Delivery Review recommends that a tailored approach be taken to each area. These are:</p> <ul style="list-style-type: none"> • A Managing Agent model is used as the basis for negotiations covering highways and related work (i.e. grounds maintenance, street and toilet cleansing and public rights of way). Amey would take on the Council staff responsible for these areas under TUPE arrangements • Asset Management and Property Services would be excluded from the negotiation whilst a wider review of the property estate and its management is undertaken by the end of March 2009 • Work presently carried out for Asset Management and Property Services would be excluded for the present time from the establishment of the Managing Agent arrangements and would be carried on in the present form, pending the recommendations of the wider review
The recommended Herefordshire model	<p>For all service areas the negotiations should seek to ensure that the Herefordshire model includes:</p> <ul style="list-style-type: none"> • An integrated service delivery organisation that allows efficient service delivery • A strategic interface between the two organisations that encourages performance measures based on outcomes for the citizens of Herefordshire • A rigorous performance management scheme to ensure that the partnership can demonstrate the extent to which it is driving improved outcomes for the people of Herefordshire. This performance management scheme will be capable of demonstrating both quality of service and value for money. It will: <ul style="list-style-type: none"> - Define performance measures linked to the service delivery plan - Drive outcomes that help deliver the Community Strategy for Herefordshire - Recognise the need to drive key outcomes that cut across Directorates - Ensure that the partnership can demonstrate value for money • A link between the level of performance attained and both profitability and contract extensions; ensuring that there are consequences for both good and poor performance • A performance management regime that drives continuous improvement and learning from experience; both

	<p>successes and mistakes</p> <ul style="list-style-type: none">• Encouragement of a strong local influence on service delivery by including, for example, the watchman scheme and locally allocated budgets for delivery of locally important schemes
--	--

Overview

Project Aims and Objectives

- 23 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.
- 24 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:
 - 84.a securing annual savings to the Council of a minimum of £1 million; and,
 - 84.b improving current quality and level of service
- 25 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.
- 26 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. There is, however, no assumption that the partnership model will work in the same way across all service areas.

Purpose of this Document

- 27 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.
- 28 This is a technical report exploring the potential future direction for Herefordshire Council's strategic partnership with Amey Wye Valley and Amey Consulting. 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.

Member Involvement

- 29 The draft final report of the review was reported to Strategic Monitoring Committee on the 13th June 2008 seeking their views to help inform the completion of the review and the preparation of a report to Cabinet.

- 30 The Committee asked that all Members be given the opportunity to comment on the draft report and that the Committee be given the opportunity to consider the report that would be presented to Cabinet in advance of a decision being taken. The Interim Head of Highways wrote to all Members on 24th June 2008 enclosing and inviting comment on the report considered by Strategic Monitoring Committee.
- 31 The comments received focussed mainly around concerns regarding current quality of service delivery, value for money and a wish to see improvement. These comments have been considered in finalising this report.

Overview of the Project

- 32 This project is a review of Herefordshire Council's strategic partnership with Amey Wye Valley and Amey Consulting. All services currently delivered by the partnership were included in the review, these are:

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

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

- 34 The review is being conducted in three phases:

- 84.a Phase 1 sought to identify a wide range of potential alternative approaches¹ and a set of criteria² against which they could be

¹ Project file: SDR Phase 1 Option List v2.0

judged. If it was considered that the option could not meet any one of the criterion then it was not shortlisted.

84.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.

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

35 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 Council, Amey Wye Valley and Amey Consulting staff into a new organisation. This report, therefore, examines the potential future partnership through the analysis of the following models (which are described in more detail in Appendix B):

84.a Improved business as usual (improved BAU) which would look to improving the current agreement with extra bonus and penalty payments

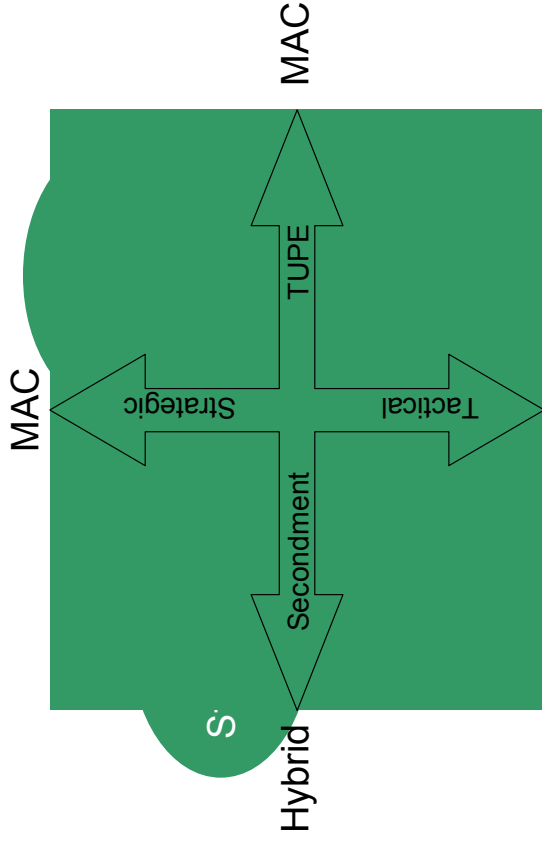
84.b Implementing a managing agent contract (managing agent) that would shift the partnership interface to give a greater responsibility for planning to Amey Wye Valley and Amey Consulting.

84.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)

36 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.

37 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 diagram opposite shows the two main axes of decision:

- 84.a Whether to set the partnership interface at a strategic or tactical level
- 84.b Whether to have an organisation of mixed Herefordshire Council and Amey staff or transfer the relevant service delivery staff to Amey



Improved BAU

Figure 1 Axes of decision

- 38 The attractive features identified in other models could be incorporated into any of the three main models.
- 39 The best model for Herefordshire may also include features from across all the options identified in phase 1 such as:
 - 84.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
 - 84.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
 - 84.c From Cumbria - local area partnerships informing operational decisions

- 40 Crucially, the model and features chosen as the preferred model must still deliver the original aim of the project.
- 41 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.
- 42 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.
- 43 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 Wye Valley, Amey Consulting 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 and value for money.

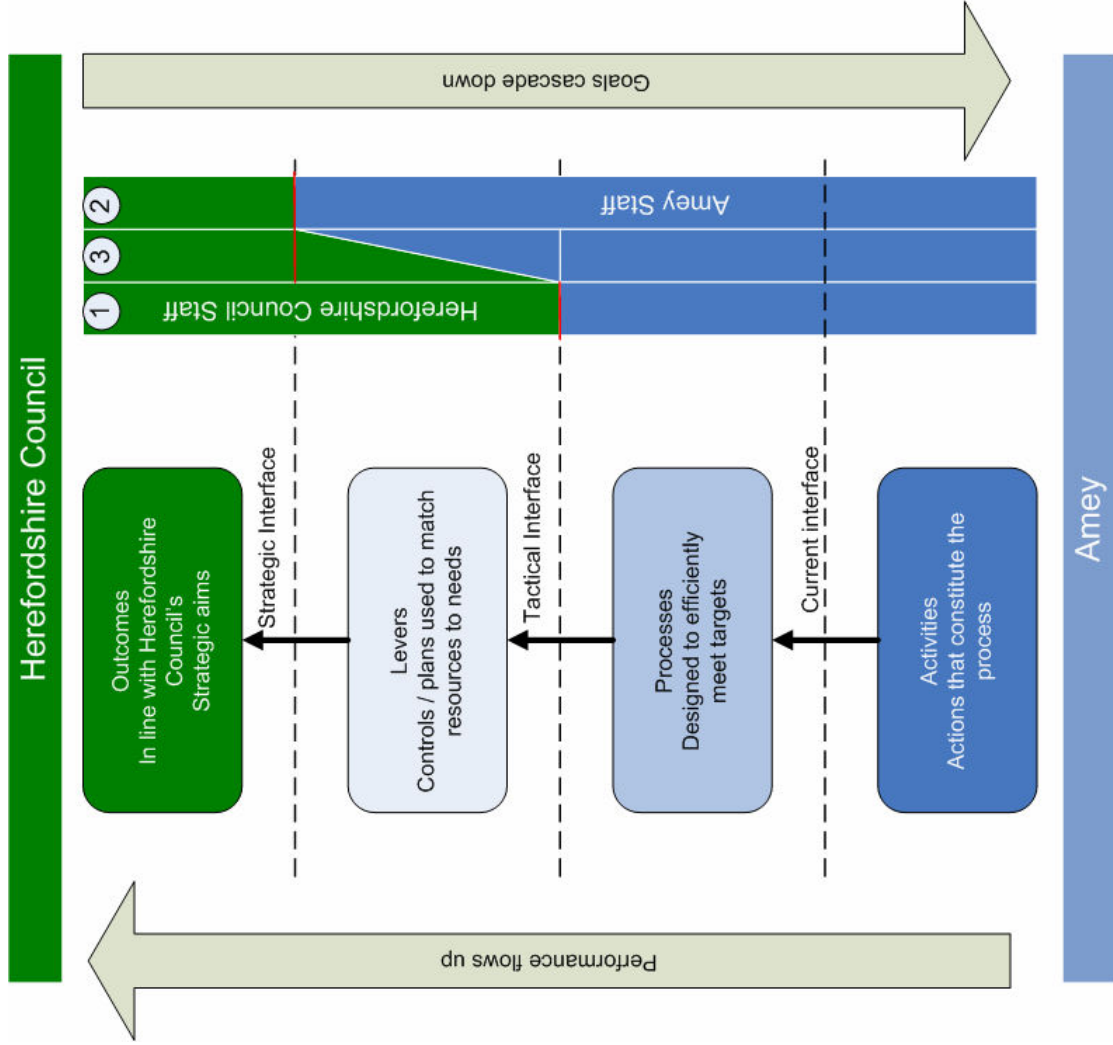
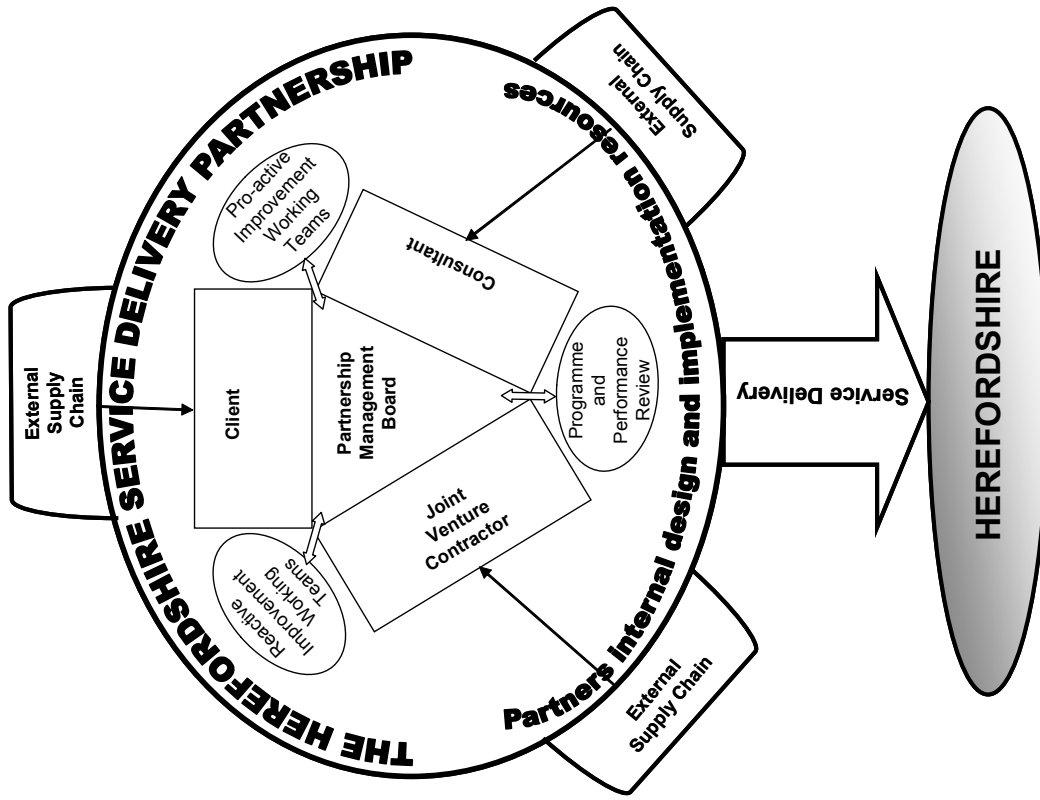


Figure 2 Organisational Interfaces

Current Situation

- 44 The current contract between Herefordshire Council and Herefordshire Jarvis Services came into effect on 1st 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.
- 45 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.
- 46 Since 1st September 2003 the situation has improved and the joint venture has performed satisfactorily in terms of day to day delivery in most areas.
- 47 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."
- 48 The vision of three organisations working in partnership is described in the diagram below. The lack of trust between people working in the partnership, or lack of willingness to work in partnership, has meant that the hoped for benefits of partnership working have not materialised. The Herefordshire Council staff focus group commented that the performance of Owen Williams has generally not been up to standard.
- 49 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.
- 50 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).
- 51 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.
- 52 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 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

53 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.

54 According to the Audit Commission, partnerships have delivered the following benefits.

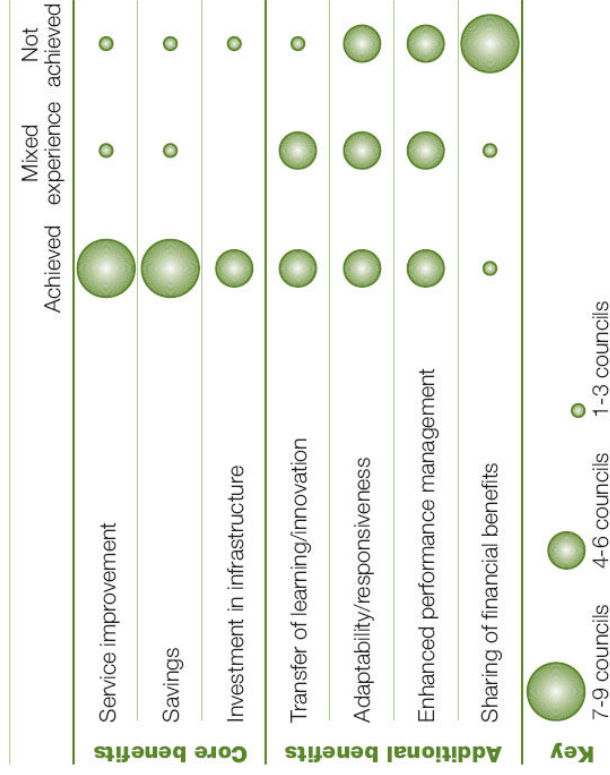


Figure 4 Partnership Benefits

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

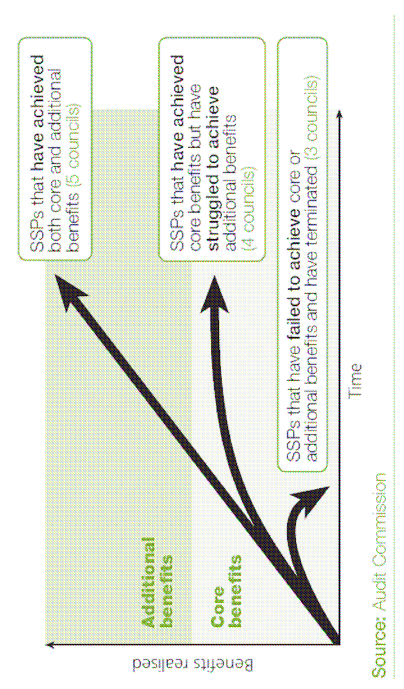


Figure 5 Partnership outcomes in the Audit Commission study

- 56 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.
- 57 Additional benefits are delivered by partnerships with: flexibility, trust, and effective governance and partnership incentives.

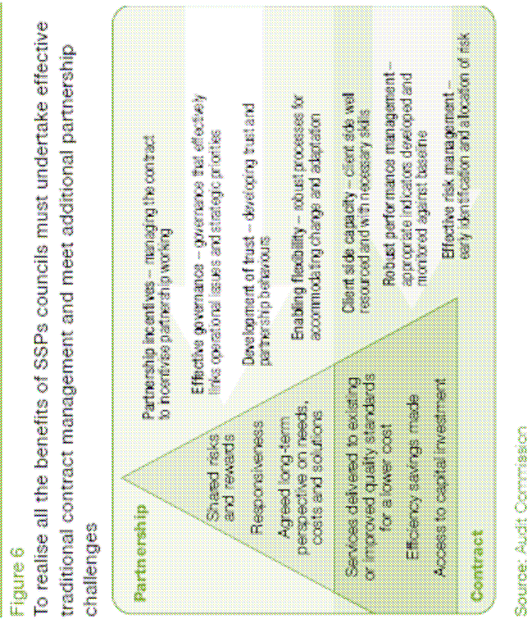


Figure 6 Realising the benefits of SSPs

58 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.

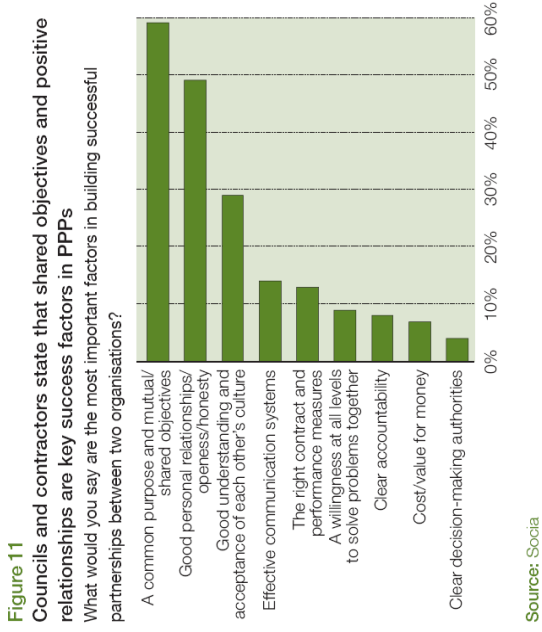


Figure 7 Factors in successful partnerships

- 59 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.
- 60 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:

- 84.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
- 84.b **Client Interface** – the Audit Commission identified good contract management as being key to delivering the core benefits of the partnership³. The people in the interface will also help deliver better partnership working
- 84.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

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

Structure of the Report

- 61 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).
- 62 The report starts by summarising the conclusions that have been drawn by considering how each model would drive the benefits.
- 63 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
- 64 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

- 65 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.
- 66 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

- 67 We need to be certain that key people in both organisations will support the model sufficiently to make it work. The partnership model, therefore, needs to satisfy a number of sometimes conflicting requirements. These are:
- 84.a Senior management's appetite for partnership working within each service area
 - 84.b The contractor's desire to have a broad partnership delivering a wide range of services to the council
 - 84.c The most efficient way to deliver services
- 68 The contract underlying the partnership needs to be well constructed and complete.

Organisational interface

- 69 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

- 70 There are two alternative models for delivering the integrated service organisation that should form a suitable basis for negotiation:
- 84.a The service delivery organisation is staffed by Amey employees. For Highways this 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.
 - 84.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 allows the new service delivery model to be put in place more quickly.

- 71 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.
- 72 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. The pros and cons of the approach are reviewed below.

Performance management

- 73 Ideally the performance management system should
- 84.a Link into the council's performance management framework
 - 84.b Have a range of performance measures designed to demonstrate the impact of service delivery on outcomes
 - 84.c Link both contract profitability and contract extension to performance
 - 84.d Include an effective client side organisation to ensure efficiency and value for money
- 74 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 both by the contractor and the council.
- 75 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

- 76 Council staff already encourage local involvement in service delivery through Parish Initiatives, Parish Lengthman's scheme, Speed Indication Device, attendance at PACTs, regular meeting with PCs, Parish walkabout, Members briefings, working with charities and communities etc. across whole range of council services.
- 77 Any new agreement should improve local Member, parish council, service user and other stakeholder influence on service delivery. Amey operate a scheme, the watchman scheme, in Bedfordshire that offers local stakeholders an effective way to influence service delivery. The watchman scheme improves links with local communities and offers a way for service users to influence delivery. Although it is found in the managing agent model, this scheme could be incorporated into any of the proposed models and, therefore, should form part of the Herefordshire approach in order to continue and strengthen links with stakeholders.
- 78 The Watchman engages with local Members, businesses, service users, parish councils, the Highways Agency, MPs and key local

stakeholders. This enables Amey to align long-term strategic delivery programmes and strategic priorities with the plans of the local authorities and with user needs.

- 79 Engagement processes are both informal: with the emphasis on Amey being proactive in seeking views and responses through one-to-one conversations and surveys; and formal, with locally targeted budgets to ensure that schemes exist to tackle local priorities.
- 80 Why it works: The Watchman role provides a non-bureaucratic, informal method through which Amey keeps in touch with a range of stakeholders, when appropriate, enabling a fair approach that can take on board a range of views without long drawn-out processes. The Watchman has sufficient authority to ensure that the results of consultation are actually integrated with the delivery programme.
- 81 Amey's watchman scheme also 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.

Model Pros and Cons

Model	Pros	Cons
Improved Business Usual as	<p>Only requires limited renegotiation and change to the Council's organisation.</p> <p>Strengthened client team could help overcome areas of disagreement in current arrangements.</p> <p>Little disruption for staff</p>	<p>Estimated savings do not meet review objectives</p> <p>Unlikely to deliver significant improvements in service</p> <p>Complex accountability for service delivery remains</p> <p>Unlikely to secure cultural change that is required</p>
Managing Agent (staff transfer to Amey)	<p>A straightforward contractual relationship</p> <p>Clear accountability for service delivery</p> <p>Single, integrated service delivery team</p> <p>Amey have good experience of implementing MAC</p>	<p>The process of tupe-ing staff could be disruptive</p> <p>Transferring some staff from the council would lead to a loss of knowledge that could limit options for delivery in the future</p> <p>Some key staff may not wish to transfer to Amey and may choose to seek alternative employment</p>

	<p>contracts for highways</p> <p>Amey has significant experience of successful TUPE transfers, over 6000 of their 9000 staff having transferred from the public sector</p> <p>Cultural change may be easier and quicker within a single employer</p> <p>Clear accountability for service delivery</p> <p>Single, integrated service delivery team</p> <p>Reflects the approach adopted by the Council and PCT</p> <p>Retains flexibility in the future – potentially more readily adaptable to changes, both external and within the Council/PCT</p> <p>Has potential to apply different approaches for different service streams</p> <p>Implementation could be phased and is likely to be achievable earlier than the managing agent approach</p> <p>No tupe would mean less disruption for staff</p> <p>Council retains more control over performance of some</p>	<p>Council has no direct control over performance of staff</p> <p>Council reliant on Amey for management of reputational risk</p> <p>Parts of the model will be new for both Amey and the Council and there is a risk that a suitable agreement cannot be defined and agreed</p> <p>A cooperative approach to HR support would be required, which might require more resource</p> <p>Integration could be slower than in the Managing Agent model</p> <p>Management of mixed teams of Amey and council staff will be more complex</p> <p>Achieving cultural change could take longer and be more complex</p> <p>The model will be new for both Amey and the Council and there is a risk that it will be difficult to define a suitable agreement</p>
<p>Integrated Services (Staff continue to be employed by current employer with integrated management)</p>		

	<p>service delivery staff through its performance management procedures</p> <p>Potential benefits from shared organisational learning (Amey and Council/PCT)</p>	
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Recommendations

82. Given the pros and cons of each approach, the Project Board considered that the only model that could potentially be applied to all service areas at that time was the integrated services model. Therefore, with a view to taking a consistent approach across all service areas and considering the relative merits of the different options, the Board considered that the approach for recommendation to Cabinet would be:

- a. A Herefordshire Model as outlined in the report with integrated staffing arrangements established through integrated teams and management rather than through staff transfer, along the lines of the Integrated Services model
- b. That this approach be subject to a review of performance after 18 months of operation to establish whether any further change should be made.

83. Such an approach was considered to be consistent with that being taken by the Council in relation to establishing integrated working arrangements with other partners such as the PCT.

84. However, consultation on the draft of this report highlighted a number of concerns about the practicality of the integrated services model, its ability to deliver the cultural change required across all partners and concerns about including Asset Management and Property Services at this point. At the time the Board made its recommendations Amey had indicated that they would require a single approach applied across all service areas. Since then Amey has submitted a proposal suggesting the establishment of a managing agent arrangement without the Asset Management and Property Services elements pending a further review of this service alone. The potential savings that have been identified during the review do not relate to Asset Management and Property Services. Following consideration of these factors, it is recommended that:

84.a A Managing Agent model is used as the basis for negotiations covering highways and related work (i.e. grounds maintenance, street and toilet cleansing and public rights of way). Amey would take on the Council staff responsible for these areas under TUPE arrangements

84.b Asset Management and Property Services would be excluded from the negotiation whilst a wider review of the property estate and its management is undertaken by the end of March 2009

84.c Work presently carried out for Asset Management and Property Services would be for the present time be excluded from the establishment of Managing Agent arrangements and would be carried on in the present form, pending the recommendations of the wider review

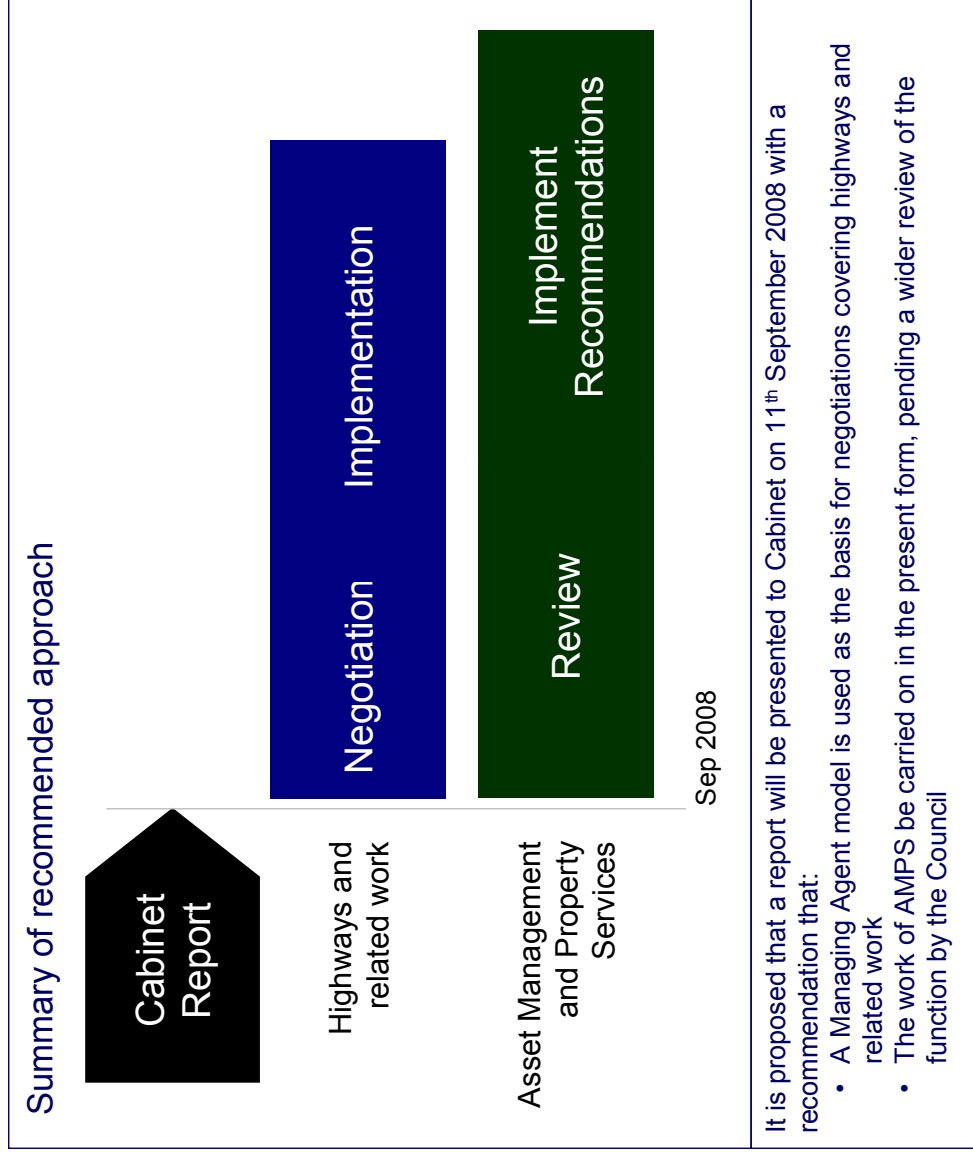


Figure 8 Summary of recommended approach

Recommended Herefordshire Model

Recommendations for the Herefordshire Model	
The recommended approach	<p>The Service Delivery Review recommends that a tailored approach be taken to each area. These are:</p> <ul style="list-style-type: none"> • A Managing Agent model is used as the basis for negotiations covering highways and related work (i.e. grounds maintenance, street and toilet cleansing and public rights of way). Amey would take on the Council staff responsible for these areas under TUPE arrangements • Asset Management and Property Services would be excluded from the negotiation whilst a wider review of the property estate and its management is undertaken by the end of March 2009 • Work presently carried out for Asset Management and Property Services would be excluded for the present time from the establishment of Managing Agent arrangements and would be carried on in the present form, pending the recommendations of the wider review
The recommended Herefordshire model	<p>For all service areas the negotiations should seek to ensure that the Herefordshire model includes:</p> <ul style="list-style-type: none"> • An integrated service delivery organisation that allows efficient service delivery • A strategic interface between the two organisations that encourages performance measures based on outcomes for the citizens of Herefordshire • A rigorous performance management scheme to ensure that the partnership can demonstrate the extent to which it is driving improved outcomes for the people of Herefordshire. This performance management scheme will be capable of demonstrating both quality of service and value for money. It will: <ul style="list-style-type: none"> - Define performance measures linked to the service delivery plan - Drive outcomes that help deliver the Community Strategy for Herefordshire - Recognise the need to drive key outcomes that cut across Directorates - Ensure that the partnership can demonstrate value for money • A link between the level of performance attained and both profitability and contract extensions; ensuring that

	<p>there are consequences for both good and poor performance</p> <ul style="list-style-type: none"> • A performance management regime that drives continuous improvement and learning from experience; both successes and mistakes • Encouragement of a strong local influence on service delivery by including, for example, the watchman scheme and locally allocated budgets for delivery of locally important schemes
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Findings

Categories

82 The findings from each section in this report explore how the models studied operate. The findings have been analysed in the following categories:

- 84.a Fundamentals – organisational support for partnership working
- 84.b Organisational interface – tactical or strategic level
- 84.c Staffing model – who employs staff in the service delivery organisation
- 84.d Performance management – encouraging and rewarding good performance
- 84.e Service user input and best practice – opportunities for local influence
- 84.f Management structure – managing the partnership

Fundamentals

83 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:

- 84.a An understanding, shared by all involved, of how the partnership is meant to work
 - 84.b Commitment to the partnership at senior levels in both organisations
- 84 The choice of model will need the support of the local senior management; the implementation will require their active encouragement.

Organisational Interface

85 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.

86 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.

87 The managing agent or integrated service models will make it easier to implement any improvements identified by Arney's watchman

scheme as the contractor is responsible for planning service delivery.

- 88 Creating an integrated service delivery organisation reduces the issues caused by poor cross organisational working.

Staffing Model

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

84.a The **managing agent model** in which the service delivery organisation staff is employed by Amey. For Highways this 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.

84.b The **integrated services model** is staffed by Amey Wye Valley, Amey Consulting 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.

90 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.

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

92 The integrated services model is successful in Gloucestershire but relies on developing a single organisational culture with a mixed staff.

Performance Management

93 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.

94 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.

95 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.

96 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.

97 In order to provide better performance management we need to:

84.a Have a partnership built on a well constructed and complete contract

84.b Have a performance management scheme that rewards good performance and penalises poor performance

- 84.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
 - 84.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
 - 84.e Use contract extensions to reward good performance to avoid “asset sweating” towards the end of the contract period
 - 84.f Remove the anomalies in the current contracting arrangement
 - 84.g Include an effective client side organisation to ensure efficiency and value for money
- 98 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).
- 99 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 both by the contractor and the council. We need good contractor performance and good client behaviour.

Service User Input and Best Practice

- 100 Improved local Member, parish council, service user and other stakeholder influence on service delivery is an important area for development. Amey operate a scheme, the watchman scheme, in Bedfordshire that offers local stakeholders an effective way to influence service delivery. The watchman scheme improves links with local communities and offers a way for service users to influence delivery. Although it is found in the managing agent model, this scheme could be incorporated into any of the proposed models and, therefore, should form part of the Herefordshire approach.
- 101 The Watchman engages with local Members, businesses, service users, parish councils, the Highways Agency, MPs and key local stakeholders. This enables Amey to align long-term strategic delivery programmes and strategic priorities with the plans of the local authorities and with user needs.
- 102 Engagement processes are both informal: with the emphasis on Amey being proactive in seeking views and responses through one-to-one conversations and surveys; and formal, with locally targeted budgets to ensure that schemes exist to tackle local priorities.
- 103 Why it works: The Watchman role provides a non-bureaucratic, informal method through which Amey keeps in touch with a range of stakeholders, when appropriate, enabling a fair approach that can take on board a range of views without long drawn-out processes. The Watchman has sufficient authority to ensure that the results of consultation are actually integrated with the delivery programme.
- 104 Amey’s watchman scheme also 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

- 105 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:
- 84.a Greater benefits: one person accountable for delivering both service and profitability
 - 84.b Greater risks: if the integrated teams cannot be made to work then it may be an undoable job
- 106 The integrated services 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

- 107 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.
- 108 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. However, a dedicated single contract management team would need to be established representing a clear shift from supervision to performance management. 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. However, by consolidating the management structure, it may also lead to a reduction of management resource required across the partnership.
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>3. Organisational Development</p>	<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 level⁴</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 Wye Valley, Amey Consulting 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 has been good.</p>

Table 1 Impact on staff

Implications

109 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.

110 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

⁴ 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.
- 111 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.
- 112 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 for Highways in Bedfordshire. It would involve a number of staff transferring from the council to Amey and this will, inevitably, cause some disruption.
- 113 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.
- 114 The integrated services model could offer the advantages of the managing agent model but without the disruption of TUPE transfers. 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.
- 115 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.
- 116 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.
- 117 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.
- 118 The integrated services model should be considered as a potential alternative to the managing agent model which could offer additional benefits if:
- 84.a It is considered that mixed teams can be made to deliver effectively.
 - 84.b There is believed to be the willingness on both sides and at all levels to make the mixed organisation work.

Findings

Organisational Interface

- 119 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

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

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

84.b The **integrated services model** is staffed by Amey Wye Valley, Amey Consulting 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.

121 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.

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

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

Financial Savings

Introduction

124 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).

125 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

126 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.

127 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 ⁵	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

⁵ 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 ⁶ .
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. Estimated annual savings (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 ⁷ . 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. Estimated annual savings (not dependent on the model selected) is £308k.		

Table 2 Financial savings

Implications

128 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 inefficiencies 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.

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

⁶ Approximately 1% of salary costs of TUPEd staff

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

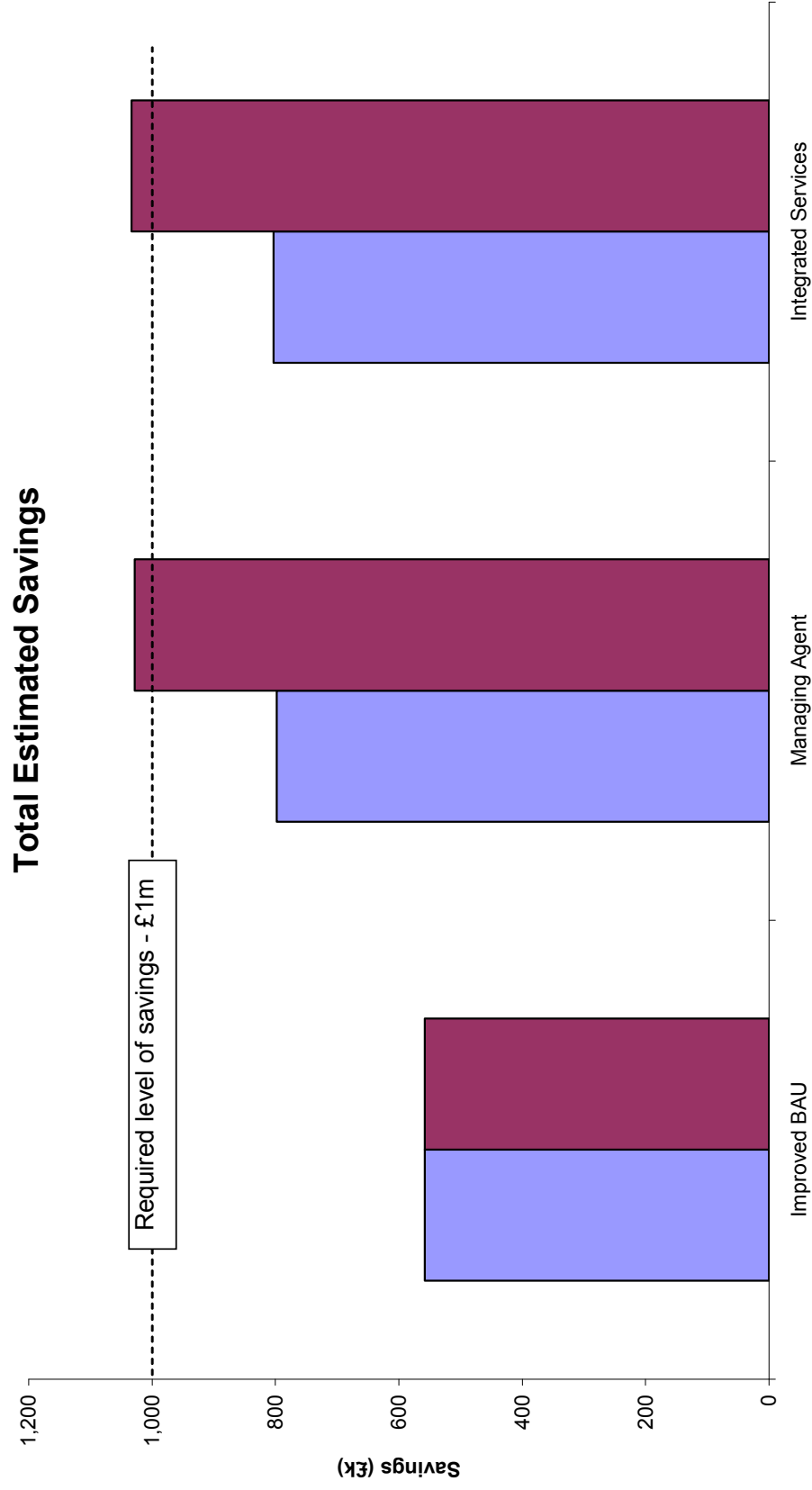


Figure 9 Estimated Savings For Each Model

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

Findings

Organisational Interface

131 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

132 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 Wye Valley and Amey Consulting 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... 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. Amey Wye Valley and Amey Consulting will contribute to the development of targets that drive outcomes.	As managing agent model and... 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. Working in joint teams may help Council and contractor 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

- 133 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.
- 134 The current performance indicators do not ensure that achievement of targets is related to desired outcomes and should be replaced with outcome based targets. The Audit Commission suggest that "where possible they should develop indicators for core service benefits that focus on outcomes rather than processes"⁸. Outcome based performance targets are features of both the managing agent and integrated service models.
- 135 The watchman scheme improves links with local communities and offers a way for service users to influence delivery.
- 136 The integrated services model may help the council and contractor employees involved develop a wider range of skills which will benefit the organisation as a whole.
- 137 The agreement needs to support the delivery of key outcomes, for example when relating to health and well being, which often link across council departments with Directorates taking a joint, long term approach to meet targets.

⁸ Audit Commission "For Better or Worse"

Findings

Organisational Interface

138 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

139 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.

140 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

141 Amey's watchman will engage with local Members, businesses, service users, parish councils, the Highways Agency, MPs and key local stakeholders. This will enable Amey to align long-term strategic delivery programmes and strategic priorities with the plans of the local authorities and with user needs.

Investment in Infrastructure

Introduction

142 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

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

Findings

Performance Management

- 146 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

147 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 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. There would also be greater opportunity for the transfer of learning to/from other parts of the Council and the PCT.

Table 4 Transfer of learning

Implications

148 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

149 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

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

151 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 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 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 – experience of Gloucestershire suggests that this way of working can also provide flexibility at an operational level

Table 5 Drivers of responsiveness

Implications

- 152 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.
- 153 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

Organisational Interface

- 154 Creating an integrated service delivery organisation reduces the issues caused by poor cross organisational working.

Performance Management

- 155 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

156 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.

157 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, Agency, M&A, V&L, and Agency</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. It would be possible to also include financial reward and / or penalty.</p> <p>Amey Wye Valley and Amey Consulting 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 Wye Valley and Amey Consulting 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"> - A well constructed and complete contract - Good performance information showing where we start from and how we are doing - An understanding, shared by all involved, of how the partnership is meant to work - Commitment to the partnership at senior levels in both organisations <p>None of these foundations was in place for the first half of the contract.</p>	<p>Amey Wye Valley and Amey Consulting 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>

Figure 10 Performance Management

Implications

158 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.

- 159 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.
- 160 It is crucial that the performance management regime drives continuous improvement and learning from past mistakes.
- 161 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.
- 162 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.
- 163 Building a partnership, as opposed to devising a contract, will require a high level of commitment from senior staff in both organisations.

Findings

Fundamentals

- 164 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:
- 84.a An understanding, shared by all involved, of how the partnership is meant to work
 - 84.b Commitment to the partnership at senior levels in both organisations
- 165 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

- 166 In order to provide better performance management we need to:
- 84.a Have a partnership built on a well constructed and complete contract
 - 84.b Have a performance management scheme that rewards good performance and penalises poor performance
 - 84.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
 - 84.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

- 84.e Use contract extensions to reward good performance to avoid “asset sweating” towards the end of the contract period
 - 84.f Remove the anomalies in the current contracting arrangement
 - 84.g Include an effective client side organisation to ensure efficiency and value for money
- 167 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).
- 168 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 both by the contractor and the council. We need good contractor performance and good client behaviour.

Management Structure

- 169 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:
- 84.a Greater benefits: one person accountable for delivering both service and profitability
 - 84.b Greater risks: if integrated teams cannot be made to work then it may be an undoable job
- 170 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 Partnership 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 1st 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 1st 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 1st 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

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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.

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 an experienced Amey manager, familiar with the services being delivered in Herefordshire and with relevant senior level experience in a local authority. The team leader will 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 to 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'

Bedfordshire's Environment Directorate is 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 Bedfordshire Highways 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 9th 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 Manager, Mark Thomas, is actively working on this with his team.

Transfer of staff

We are firmly convinced that the staffing model with Council staff TUPE transferring to Amey is the only approach which will deliver the Council's objectives of cost savings and improvements in service delivery. The short term avoidance of disturbance to staff is outweighed by the other factors. The cultural shift required to operate an integrated service will, in our view, be impeded by keeping Council staff under Council terms and conditions; if such a shift were easily achievable we would have expected it to have been achieved in the last five years. The potential for equal pay claims is also of great concern to us.

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 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.

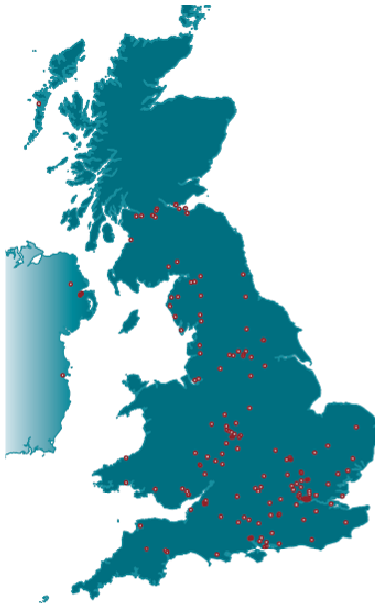
These values are not a collection of fashionable phrases from management textbooks and they're not a set of 'orders' cascaded down from our senior management. They are words drawn directly from hundreds of hours of interviews, surveys, and conversations with Amey people about what they think, feel and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

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

Customers	Service so good our customers become and stay loyal Amey fans.
Powerful team	On our own we're good. As a team we're outstanding
Protecting people	Caring for our people, the public and the environment.
Performance & profit	Achieving unbeatable performance and results, aiming to do even better.
Winning	Winning for me, for the team, for our company. 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 2 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
Strategic Highways	Rail



Title: Equality and Diversity Policy

Ref.: PLC-EXEC-008

Rev: 4.0 Date: June 2006

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



Title: Equality and Diversity Policy

Ref.: PLC-EXEC-008

Rev: 4.0 Date: June 2006

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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.		
Rev.	Date	Amendment	Approved By:	Authorised By:



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

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

	October 2008
	<ul style="list-style-type: none"> • IPFR (four month April-July report) • Updated MTFMS • Monitoring of Comprehensive Area Assessment Preparation Programme • Extent, costs, purposes and value for money of the Council's use of consultants in 2007/08. • Accommodation Strategy • Smallholdings Estate Policy (outcome of Executive Review) • Programming of Scrutiny Meetings/Structure of Scrutiny Arrangements
Scrutiny Review	<ul style="list-style-type: none"> • ICT Services
	November 2008
	<ul style="list-style-type: none"> • IPFR (six month April-September report) • Confirmation of Local Government settlement
	January 2009
	<ul style="list-style-type: none"> • IPFR (8 month April-November) • CPA Assessments • Use of Resources Judgment • CAA details confirmed (or Feb) • Report on place survey and public consultation • Local Government Settlement confirmed. • Monitoring of Comprehensive Area Assessment Preparation Programme
	February 2009 (budget)
	<ul style="list-style-type: none"> • Direction of Travel Judgment • CAA details confirmed • Draft 2009/10 Operating Statement • Strategic Options and Challenge (provisional) • Updated MTFS • IPFR(10 month April-January report)
	April 2009
	<ul style="list-style-type: none"> • IPFR(10 month April-January report) see above? • Strategic Options and Challenge • IPFR (end-of-year report) • Monitoring of Comprehensive Area Assessment Preparation Programme

Other issues

- User Satisfaction Surveys.
- Gender Equality Scheme Monitoring (reported March 2007 6 month/annual).
- Comprehensive Equality Scheme Action Plan monitoring.
- Scrutiny of Police/Crime and Disorder Reduction Partnership.
- Electoral Registration issues - polling station reviews
- Elections Action Plan - Monitoring
- Communications Strategy Monitoring
- (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”
- Monitoring of Comprehensive Area Assessment Preparation Programme (July and October 2008 and January and April 2009.)
- Post Office Closures
- Comprehensive Equality Policy
- Rose Bank Garden Scheme - reviewing its value for money and whether there were any lessons to be learned for future schemes.
- Analysis of Complaints to the Ombudsman – Planning
- Pay and Workforce Development Strategy (Replacement)
- Herefordshire Public Services – possible consideration of effectiveness of working arrangements – (9 months on)
- Scrutiny Processes

Further additions to the work programme will be made as required