

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.

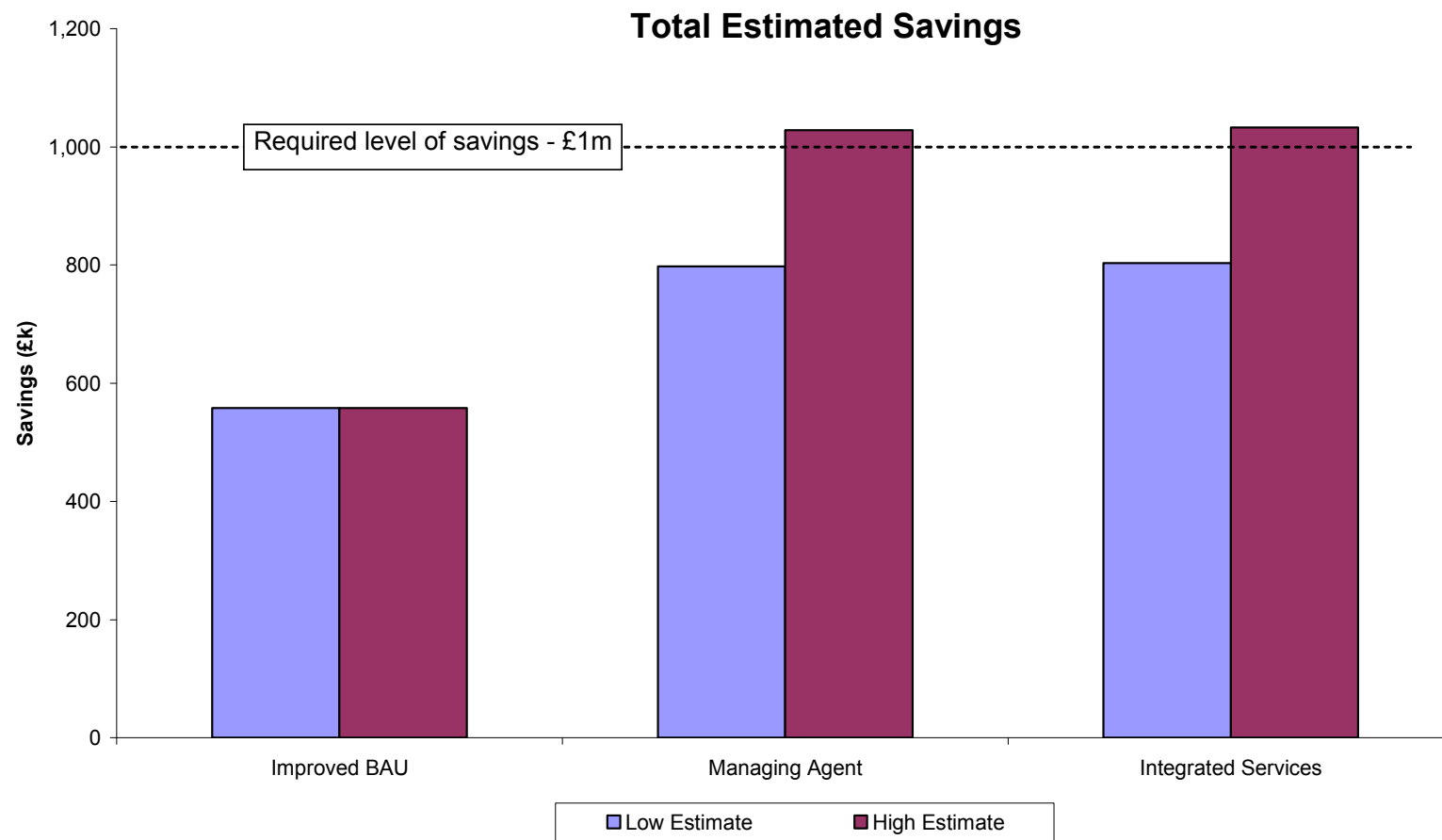


Figure 1 Estimated Savings For Each Model

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
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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.

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

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

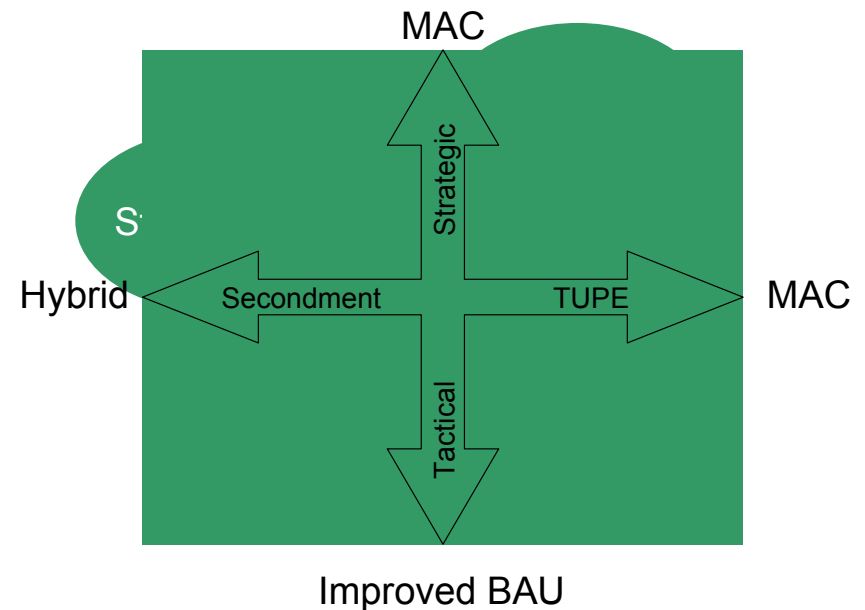


Figure 1 Axes of decision

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.

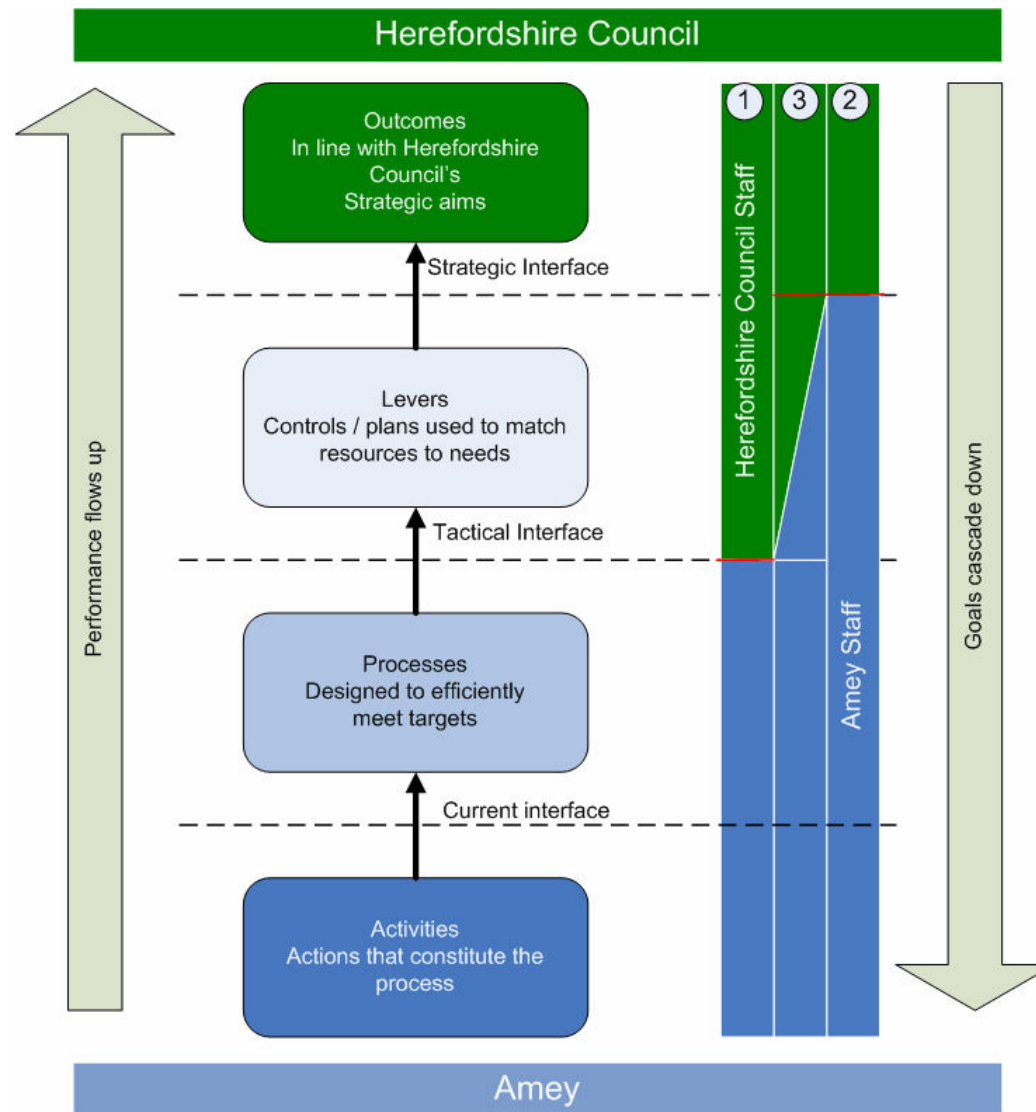
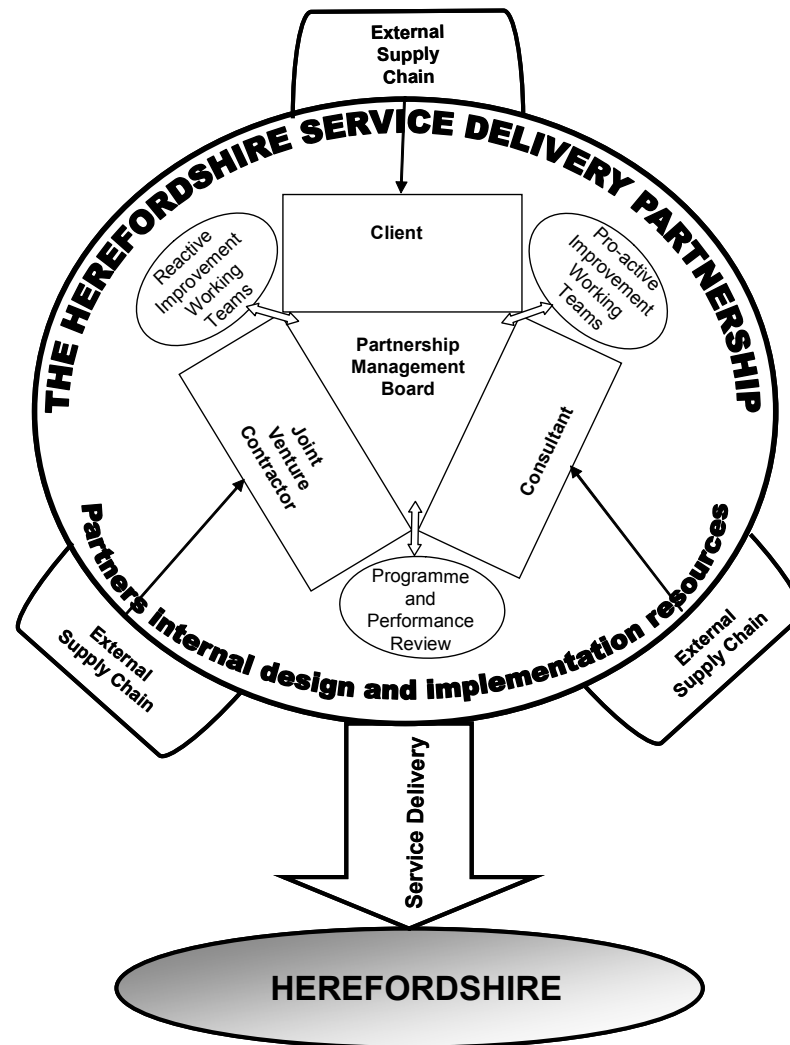


Figure 2 Organisational Interfaces

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.082.18.6.03 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.

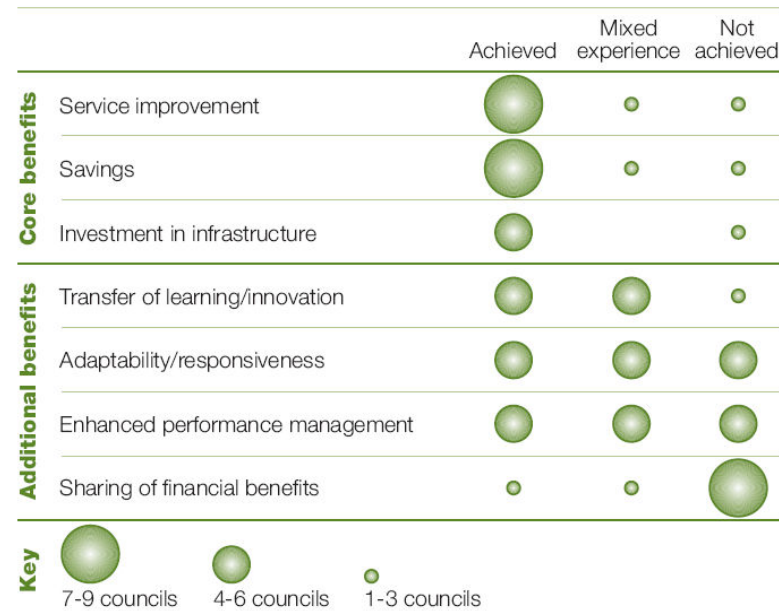


Figure 4 Partnership Benefits

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

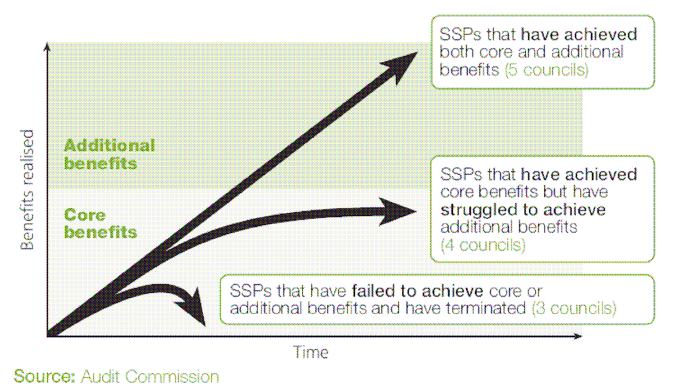


Figure 5 Partnership outcomes in the Audit Commission study

- 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
To realise all the benefits of SSPs councils must undertake effective traditional contract management and meet additional partnership challenges



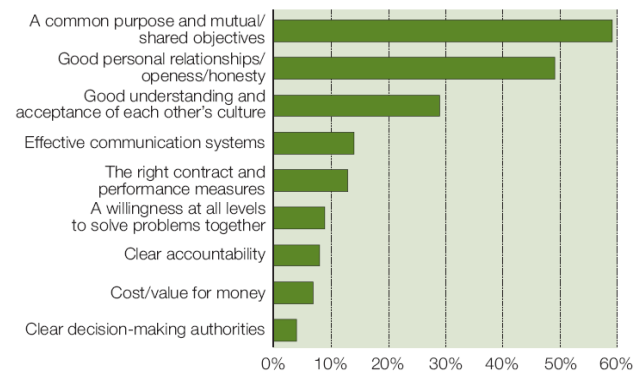
Figure 6 Realising the benefits of SSPs

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 11

Councils and contractors state that shared objectives and positive relationships are key success factors in PPPs

What would you say are the most important factors in building successful partnerships between two organisations?



Source: Socia

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
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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
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- 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 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</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>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>Integrated Services (Staff continue to be employed by current employer with integrated management)</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>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>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

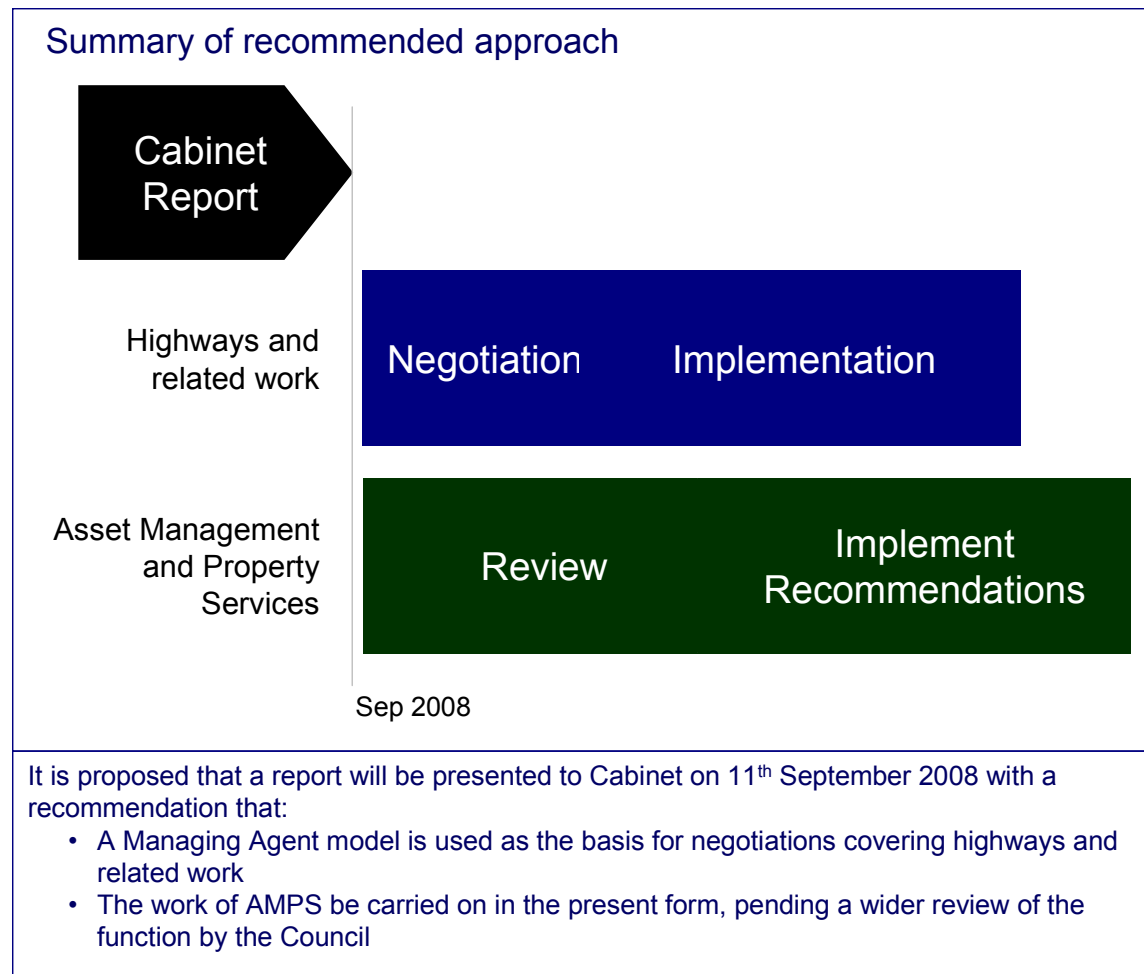


Figure 8 Summary of recommended approach

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 Amey'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.	<p>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.</p> <p>However, a dedicated single contract management team would need to be established representing a clear shift from supervision to performance management.</p> <p>Staff efficiencies would come from improved processes including reduced levels of supervision and in the requisitioning and payment mechanisms for work.</p>	<p>Overall impacts are anticipated to be similar to the managing agent model.</p> <p>However, by consolidating the management structure, it may also lead to a reduction of management resource required across the partnership.</p>
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
	both sides. This will make the interactions between the two organisations more efficient and reduce the volume of routine administration tasks.	the measurement of outcomes and benchmarking of costs and rates. A more efficient delivery structure could allow a greater number of staff to be assigned to service delivery.	Integrated working with mixed Amey Wye Valley, Amey Consulting and council teams could enable Council and Amey employees to develop a wider skills base
3. Organisational Development	<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>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>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 is 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 alongside 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 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	<p>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.</p> <p>Estimated annual savings (not dependent on the model selected) is £60k.</p>		
3. Damage to Immobile Property Claims	<p>This is an opportunity to increase revenue through the recovery of costs for damage to highways, street lighting, signage etc from individuals and businesses⁷. 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.</p> <p>Estimated annual savings (not dependent on the model selected) is £308k.</p>		

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.

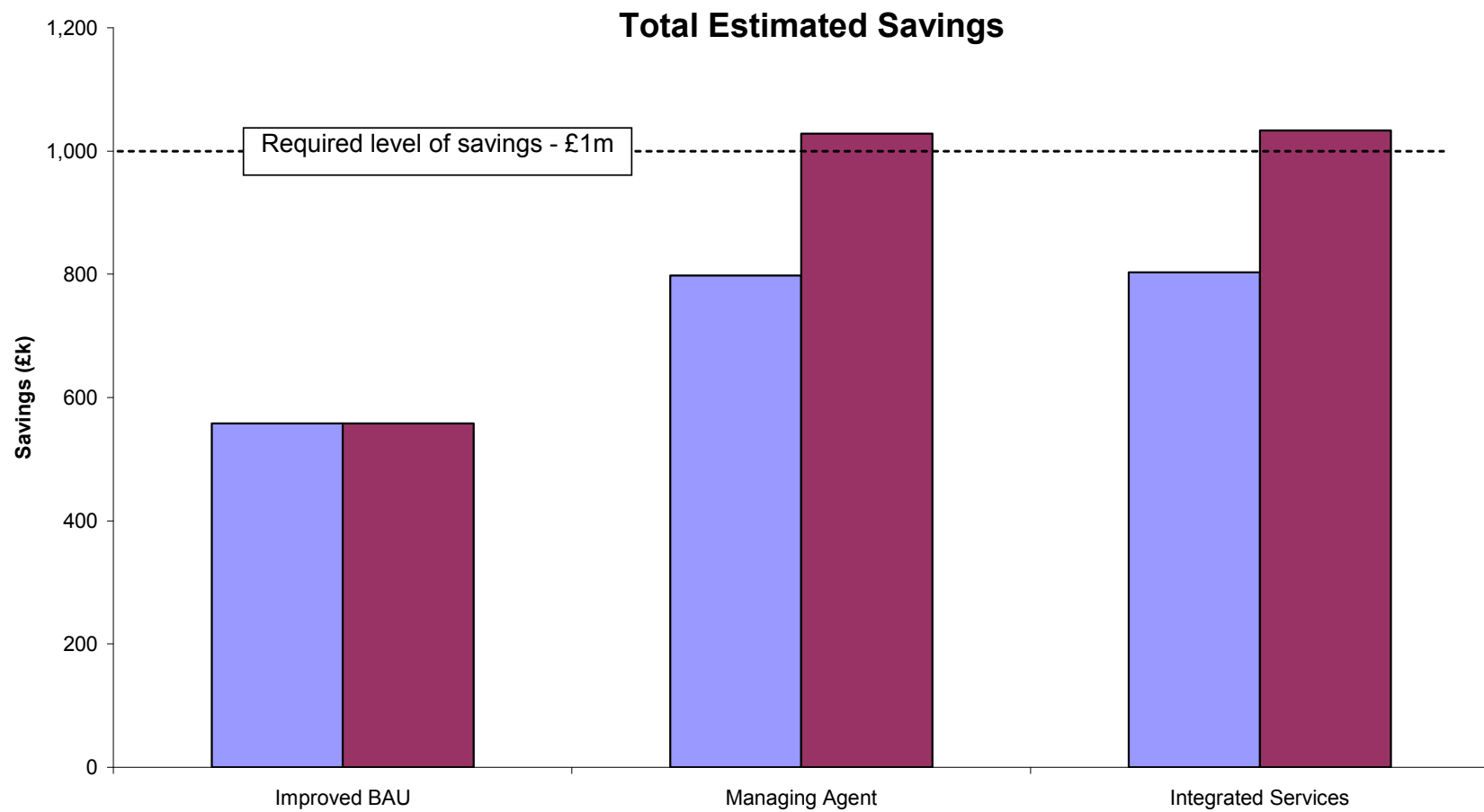


Figure 9 Estimated Savings For Each Model

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
		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.	
3. Improved forward programming of property related activities	<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>		

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	<p>The ease with which the watchman scheme can make changes will be eased by having a consolidated service delivery model</p> <p>There will be more reason for Amey to put in place an effective watchman scheme if they are solely responsible for service performance</p>	<p>As Managing Agent model but could retain greater public service ethos through mixed teams.</p> <p>There would also be greater opportunity for the transfer of learning to/from other parts of the Council and the PCT.</p>

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,</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>		

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