

# SERVICE DELIVERY REVIEW

## PORTFOLIO RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

11 SEPTEMBER 2008

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### 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.**

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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 13<sup>th</sup> 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 24<sup>th</sup> 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 10<sup>th</sup> 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 16<sup>th</sup> 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 16<sup>th</sup> 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**

#### **Comments circulated at SMC 13<sup>th</sup> June 2008**

##### **Main Report paras:**

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.

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.

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!

5. This Review could have benefited from Elected Members input during the process, if they had been approached.

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.

12. SMC cannot comment on 16 of the 18 initial service delivery options forwarded as no details have been provided to the Committee.

16. It is noted that the Staff Focus Group requested that the Integrated Service Model i.e. Gloucestershire, be considered.

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.

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.

##### **Executive Summary**

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.

##### **Conclusions – The Herefordshire Model**

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.

##### **Overview of the Project**

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.

### **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 2<sup>nd</sup> 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 7<sup>th</sup> July in making my response to your memorandum dated 24<sup>th</sup> 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”**