



**CABINET REPORT**

<b>Report Title</b>	<b>Improvement and Efficiency Plan Directorate of Environment and Culture</b>
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**AGENDA STATUS:** Public

<b>Cabinet Meeting Date:</b>	14 October 2009
<b>Key Decision:</b>	Yes
<b>Listed on Forward Plan:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Environment and Culture
<b>Accountable Cabinet Member:</b>	Trini Crake/Paul Varnsberry
<b>Ward(s)</b>	Non-specific

**1. Purpose**

- 1.1 Further to the appointment of the Council's value for money partner, Northgate Kendric Ash, the purpose of this report is to seek Cabinet's agreement to the implementation of the first phase of the improvement and efficiency plan for the Directorate of Environment and Culture.

**2. Recommendations**

That Cabinet:

- 2.1 Note that the Directorate of Environment and Culture's improvement and efficiency plan will be delivered in partnership with Northgate Kendric Ash, using an innovative risk and reward model to deliver customer focused service improvements, greater value for money and significant efficiency gains.
- 2.2 Agree the first phase of the improvement and efficiency plan for the Directorate of Environment and Culture, as outlined in this report.
- 2.3 Note the estimated savings, as set out in paragraph 4.2, projected to arise from implementation of the improvement and efficiency plan.

- 2.4 Agree the financial proposals associated with the first phase of the improvement and efficiency plan, also set out in paragraph 4.2.
- 2.5 Agree that the Council join Northamptonshire County Council and Daventry District Council in a project to develop a business case to assess the feasibility of a shared back office for environmental services.
- 2.6 Further to paragraph 2.4, agree expenditure for the shared back office project, as set out in sub paragraph 4.2.9.
- 2.7 Note that further reports will be brought forward in relation to the first phase of the improvement and efficiency plan, if necessary or as required by Cabinet, as work is progressed and more detail emerges.
- 2.8 Note that it is expected that there will be further phases to the improvement and efficiency plan over the course of the contract with Northgate Kendric Ash and such phases will be brought to Cabinet for approval in due course.

### **3. Issues and Choices**

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#### **3.1 Report Background**

- 3.1.1 In a report to Cabinet of 5<sup>th</sup> August 2009, it was agreed to appoint Northgate Kendric Ash (NKA) to be the Council's value for money partner, to work primarily with the Directorate of Environment and Culture to identify opportunities to achieve efficiency and service improvement and to see such opportunities through to implementation.
- 3.1.2 As Cabinet will recall, NKA operates a robust risk and reward model that means 100% of its fees are dependent on the realisation of cashable savings. Furthermore, its fees are capped at an agreed level so as to protect the Council from cost escalation that might otherwise arise if savings achieved are considerably higher than predicted.
- 3.1.3 Following August's Cabinet decision, NKA was invited to assess the services provided within the Directorate of Environment and Culture to identify how improvements can be delivered and how significant cashable savings can be achieved.
- 3.1.4 To date, NKA have undertaken a feasibility study of a range of services within the Environment and Culture Directorate to assess key opportunities for savings, efficiency gains and improvement and have used this information to develop the first phase of a proposed work programme, the agreement of which is the main purpose of this report.

#### **3.2 Issues**

- 3.2.1 The key challenge for the Council at this time is to continue to improve services while at the same time reducing expenditure and improving value for money.
- 3.2.2 This challenge is made more difficult because of the tight time constraints that apply and the impact of year on year budget reductions.

3.2.3 The development of the Directorate of Environment and Culture's improvement and efficiency plan has therefore been developed against the following background:

- **Budget pressures.** Council-wide pressures on the General Fund, translated into a need to address challenging savings targets within the Directorate of Environment and Culture in the current year and realise further significant efficiencies in future years.
- **Growth of town.** The scale of recent new residential developments has increased the cost of providing cleansing and grounds maintenance services. Whilst developers have made contributions under s.106, the service revenue budgets have taken the strain.
- **Market testing of waste/ street cleansing/ grounds.** Market testing of services in conjunction with Daventry DC is currently underway with a target 'go live' date of July 2010. It is imperative to drive out service efficiencies prior to this date so as to ensure that the Council can make a robust decision as to whether or not to externalise all or any of these services and, if a decision is taken to externalise, to ensure benefits are retained by the Council through reduced contract costs.
- **Area management focus.** The Council is seeking to improve its focus on neighbourhoods through improving the co-ordination of services at a local level, whether delivered by the Directorate of Environment and Culture, other Council departments or external partners, in order to deliver safe and clean streets and open spaces.
- **Option appraisal for leisure.** A management options appraisal is currently underway in relation to Leisure and Sport services.
- **Partnership working.** The Council has been actively exploring options to develop shared service delivery with other partners, including the Police and the County Council.

### 3.3 Choices (Options)

3.3.1 Cabinet is invited to consider proposals in relation to the improvement and efficiency plan to agree which elements it supports and which it wishes to decline or defer.

3.3.2 The improvement and efficiency plan proposals reflect a number of factors:

- the development of an area-based approach to the delivery of environmental services and improved working methods
- the need for appropriate levels of management and supervision across environmental services
- the impact of potential externalisation of waste and/or environmental maintenance services
- the opportunity to combine administrative and support functions across the Directorate, developing generic skills and enabling efficiencies to be delivered
- the need to review functions to reflect customer demand, requiring changes to opening hours and more closely matching staffing levels to the needs of customers

- implementation of measures to reduce non-contractual overtime
- implementation of measures to reduce accidental damage to vehicles
- review of charging policies, fees and income for a range of service areas
- improved utilisation and more effective procurement and management of vehicle, plant, fuel and supplies

### **3.3.4 Shared back office**

- 3.3.4.1 The shared back office project is worthy of specific comment as it is an innovative initiative that it is proposed we deliver in partnership with Northamptonshire County Council and Daventry District Council.
- 3.3.4.2 The purpose of the project is to develop a business case to assess the feasibility of a shared back office for environmental services. The project will encompass all administrative and strategic functions for the three Councils in relation to those areas, as well as an integrated client function for any externalised services.
- 3.3.4.3 The combining of functions into a single unit has the potential to provide improved performance and significant efficiency gains.
- 3.3.4.4 This project is complimentary to the market testing exercise. Whilst it will be influenced by the outcome of that exercise it is not dependent on it and it is proposed that it will be implemented regardless of the outcome of market testing.
- 3.3.4.5 This project also has clear links to the council wide project to review non-specific administrative functions and will pay due regard to that project to ensure the best possible outcome from both projects for the Council as a whole.
- 3.3.4.6 Approval for the project has already been secured through the Northampton Waste Partnership Shadow Board. Cabinet approval is also requested before the Council formally commit to the project.

### **3.3.5 Market testing**

- 3.3.5.1 Earlier this year Cabinet agreed to undertake a full market testing exercise to determine the most cost effective and efficient way to deliver waste management, street care and grounds maintenance services.
- 3.3.5.2 A fundamental part of the market testing process will be to make a comparison with the cost and performance of the in-house service. It is very important when we do so that the comparison takes account of the most efficient and effective service the in-house team is able to deliver.
- 3.3.5.3 It is proposed therefore that one of the key work streams in the improvement and efficiency plan is focused on elevating the performance of the current service to its optimum level.
- 3.3.5.4 Subject to Cabinet approval, the work stream will comprise the following elements:

### **Waste and environmental services**

- Ensure robust controls and targets in place to reduce non-contractual overtime and temporary staff. This to be achieved in part by ensuring greater flexibility between refuse and cleansing crews.
- Ensure that managers operate robust management of short and long term sickness, including a focus on preventing muscular-skeletal injuries
- Review existing operation of 'job and finish' to ensure appropriate utilisation of staff and vehicles during normal working hours – this to include any appropriate duties across refuse/ cleansing/ grounds
- Introduce second shift within the MRF to increase throughput, commencing with the additional material from South Northants DC.

### **Street cleansing**

- Implement revised area management structure in order to strengthen area-based co-ordination and revise the levels of and approach to supervision.
- Develop clear output based specifications and schedules with targets for cleanliness. Ensure co-ordination with refuse collection rounds
- Ensure robust controls and targets in place to reduce non-contractual overtime and temporary staff. This to be achieved in part by ensuring greater flexibility between refuse and cleansing crews.

### **Grounds maintenance**

- Develop clear output based specifications and schedules with targets for maintenance of open spaces.
- Ensure co-ordination with area based cleansing teams
- Develop more generic and flexible Area Teams with streets operatives.
- Identify appropriate recharges to service departments and the HRA

### **Depots**

- Implement changes to administrative structure as part of overall re-organisation. Remove unnecessary processes and simplify invoicing procedures
- Review Westbridge depot security and out-of-hours service in line with possible outsourcing and requirements for depot
- Undertake detailed audit of existing satellite depots to determine which are necessary for operation of area management

### **Transport**

- Remove surplus hire vehicles through improved utilisation and ensure appropriate value obtained from existing and available contracts for the supply of vehicles, fuel and tyres
- Develop simple vehicle costing system to ensure that the effectiveness of each vehicle within the Council's fleet can be identified and managed

- Ensure that damage and neglect is managed proactively and robustly in order to reduce repairs expenditure, including use of banksmen when reversing.
- Also ensure that vehicle suppliers meet their repairs obligations

### **Public toilets**

- Develop the Community WC Programme for Northampton, including:
  - Carry out a detailed feasibility study which identifies existing provision and potential set-up and running costs (including payments to providers). Consult with local businesses and other stakeholders
  - Identify the appropriate scope for the initial scheme (eg Town Centre or Market Square)
  - Market the scheme and recruit providers and put in place appropriate payment and monitoring procedures
  - Determine any alternative usages for existing buildings

### **3.4.1 In-house team option**

- 3.4.1.1 Instead of working with the value for money partner to deliver the Directorate of Environment and Culture's Improvement and Efficiency plan, Cabinet could choose to establish an in-house team to undertake the intensive work that is required to deliver the improvements and savings needed by the directorate.
- 3.4.1.2 To enable Cabinet to make a comparison between this option and the VFM partner option the cost of establishing an in-house team broadly similar to the resource to be provided by NKA, for a period of 18 months, has been estimated to be approximately £275k.
- 3.4.1.3 It would be likely to take six months to put such a team in place. The loss of savings over that period is estimated to be £500k.
- 3.4.1.4 Other factors associated with the in-house team option, would include difficulties that may be experienced in recruiting staff of the right calibre and with the right skill set and the cost of severance after the fixed term has expired.
- 3.4.1.5 In considering this option, Cabinet need to take account of the risk and reward model operated by NKA which provides the Council with guaranteed level of savings which clearly would not be a feature of an in-house team.

### **3.5 Opportunities**

- 3.5.1 In addition to the proposed improvements identified for waste, grounds maintenance and street care services, many opportunities for improvement have also been identified in relation to
- Leisure and Sport
  - Town Centre Operations and
  - Public Protection

### 3.5.2 These opportunities include:

#### **Leisure and Sport**

- Strengthening of the management of the 3 leisure centres, enabling more responsibility to be taken by centre managers
- Review of functions of the museum service to reflect customer demand

#### **Town Centre Operations**

- Fundamental review all aspects of car park operations and charges
- Upgrade of ticket machines, to take debit/credit cards, and payment by phone
- Review IT system and reengineering of support functions in order to reduce manual input
- Multi-skilling of staff, including review of shift and work patterns

#### **Public Protection**

- Combining of administrative and support functions across the Directorate, developing generic skills and enabling efficiencies to be delivered
- Implementation of Mobile Technology, including potential to implement web services to provide real time access to data and the ability to update the back office in real time to assist in the scheduling of inspections and improve general efficiency.

## **4. Implications (including financial implications)**

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### **4.1 Policy**

4.1 There are no policy implications arising from this report.

### **4.2 Resources and Risk**

4.2.1 It is proposed that the Council work with NKA for a further period of 18 months, commencing October 2009, to implement the improvement and efficiency plan. NKA's risk and reward model will guarantee a certain level of savings to the Council, below which their fees are rebated on a pound for pound basis up to the total of their fees, whilst any over performance on savings is retained in full by the Council.

4.2.2 NKA will charge a monthly fee of £31,170 plus VAT, a total of £561,130. The model will work as follows:

<b>£000</b>	<b>Total</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Potential savings	<b>4,227</b>	475	1,830	1,922
Contractually guaranteed savings	<b>3,163</b>	309	1,427	1,427
NKA fees	<b>561</b>	187	374	0
Net savings potential	<b>3,666</b>	288	1,456	1,922
Net savings guaranteed	<b>2,228</b>	122	1,053	1,053

4.2.3 Over the 18 month period, NKA will guarantee contractually to deliver £1,736,000 in savings, which net of fees is £1,175,000. Should the target not

be delivered then NKA's fees will be rebated on a pound for pound basis up to the full value of their fees (£561,000). Progress will be monitored on a monthly basis, with profiled monthly targets measured against actual savings delivered as agreed by the Council. There will be a potential contract termination point at the end of 2009/10 if progress is not on target and NKA has not as a minimum delivered savings to cover the level of fees.

- 4.2.4 Furthermore, NKA will commit that the level of guaranteed net savings for 2010/11 will be sustainable and will continue at least at the same level in 2011/12 and if not will agree to provide support to the Council in bringing them back into line. This commitment is on the proviso that measures put in place through the work of NKA during 2009/10 and 2010/11 remain in place in 2011/12.
- 4.2.5 Although a flat monthly fee is charged, NKA will be providing a higher level of resource (around 20% higher than that paid for) during the first 6 months in order to secure some of the major savings areas. NKA have assessed that they will need to provide an average of 2.5 full time consultants over the initial phases of the partnership, although this level of resource will reduce towards the final few months of the contract if savings are running at the contractually agreed level or above. Conversely, if a higher number of consultants are required to meet the target then NKA will need to contribute such additional resource at no extra cost to the Council.
- 4.2.6 The agreement to provide a higher level of resource at the beginning of the contract increases the risk transfer to NKA in the event of non-delivery. It is recognised that of the activities that NKA will be undertaking particularly in the first 6 months, for example implementation of a new staff structure, the required timetables for consultation limit the financial impact that will be seen during the current financial year.
- 4.2.7 Although the contractually guaranteed level of savings is set at around 75% of the total identified by NKA (reflecting risk factors around delivery), they will work with the Council to deliver the higher level of savings and will continue to identify further areas that are not yet included within the work programme as set out in this report.
- 4.2.8 It is proposed that the focus of NKA's work as delivery partner will largely be as follows:
- providing the capacity to identify, agree and implement the revised organisational structure
  - developing the skills of staff in relation to the requirements of the new roles, structures and organisational culture, including the implementation of area management, the development of an efficient Directorate-wide administration resource and improving the flexibility of staff between service areas to meet requirements
  - developing the business skills of the organisation in relation to generating income through active marketing intelligence, modelling of costs and income and performance management
  - implementation of appropriate new technologies to improve productivity



- developing and implementing models of shared service provision between the Council and other public sector partners, including appropriate governance and management arrangements
- supporting managers to ensure that sufficient rigours are in place to manage and reduce discretionary expenditure, including overtime and temporary staff, sickness and vehicles
- providing additional expertise/support on the management of contracts

4.2.9 In respect of the shared back office project, which, if agreed, will be undertaken in partnership with Northamptonshire County Council and Daventry District Council, the cost of developing the business case is estimated at £150k. Funding of £20k has been secured from the Northamptonshire Waste Partnership. It has been proposed that the balance of £130k will be met either by a contribution of £65k from the County Council and £32.5k each from ourselves and DDC, although subject to further negotiation the project may be funded through the NKA risk/reward model.

### **4.3 Legal**

4.3.1 The procurement of NKA has been undertaken in accordance with procurement regulations and council policy. Proposals to move ahead with the improvement plan are also consistent with policy and statute and any further approvals, should the need arise, will be sought as and when required.

### **4.4 Equality**

4.4.1 There are no equalities issues directly associated with this report. The Council has stringent standards in relation to equalities and any changes introduced will be fully consistent with these standards. Equality impact assessments will be undertaken as required by council policy.

### **4.5 Consultees (Internal and External)**

4.5.1 The key consultees to date have been relevant portfolio holders and senior officers. Further consultations will be undertaken as necessary.

### **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 The proposals contained in this report will contribute to the priority outcome of 'a well managed organisation that puts the customer at the heart of what we do'.

### **4.7 Other Implications**

4.7.1 None.

## **5. Background Papers**

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5.1 None

**Julie Seddon, Director of Environment and Culture**