
A separate report is submitted in the private part of the agenda in respect of this item, as it contains details of financial information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972. The grounds for privacy are that it refers to the identity, financial and business affairs of an organisation and the amount of expenditure proposed to be incurred by the Council under a particular contract for the supply of goods and services.

Cabinet:
Council:

15 March 2011
22 March 2011

Name of Cabinet Member:

Cabinet Member (City Development) – Councillor Bigham

Director Approving Submission of the report:

Director of City Services & Development

Ward(s) affected:

St. Michael's

Title:

CV One Services Review

Is this a key decision?

Yes. The service review and contract amendment; as requested are above the financial threshold for cabinet decision.

Executive Summary:

In November 2010 Cabinet approved a review of car park management and events currently delivered by CV One under a contract with the Council. This was with a view to bringing these services back in house. Further work has progressed since November to establish the financial and legal implications of removing these elements from the CV One contract and the Council delivering them directly. Car park management and events and the associated staff and assets will be transferred back to the Council as of April 2011, along with the Council contract payment grant associated with these services.

Following discussions between the Council and the CV One Board, officers are now seeking approval to transfer all remaining services under the CV One contract back in house by March 2012 and as such to put in place a grant aid agreement during the transition period to enable a managed and phased handover for both parties. This will provide a more flexible framework to work towards the transfer of all remaining services. As part of this process the Council intends to work in close partnership with CV One and its Board to develop a detailed transition plan for the transfer. At this stage we anticipate two final tranches of service transfer in October 2011 and then March 2012.

It is recommended that approval is given for both parties to enter into the grant aid agreement, with specified outputs that CV One must comply with. This work will therefore supersede the requirement for the Council and CV One to agree a 3 year business plan.

Recommendations:

Cabinet are asked to recommend that Council:

- (1) Approve a reduction of the CV One grant in 2011/12 and associated modification of the contract (and subsequently the grant aid agreement) to remove car park management and events. This transfer is associated with the delivery of savings of £0.5m built into the medium term financial strategy for 2011/12. This savings figure is likely to increase as the transition plan develops.
- (2) To exit the contract with CV One and replace it with a grant aid agreement as an interim period arrangement, whilst remaining services transfer back to the Council.
- (3) Approve the development of a phased transition plan, in agreement with CV One, to achieve full transfer of all remaining services provided under the CV One contract. The determination of the timing and services transferring within the transition plan to be delegated to the Director of City Services & Development and the Director of Finance & Legal Services in consultation with the Cabinet Member (City Development) and Leader.
- (4) To delegate authority to the Director of City Services & Development and the Director of Finance & Legal Services in consultation with the Cabinet Member (City Development) and Leader, to agree the necessary financial means to achieve the objective of full service transfer as outlined in section 2 of this report, limited to a maximum figure as detailed in the Private Report. This will be linked to agreed measures in the grant aid agreement.

List of Appendices included:

None

Other useful background papers:

CV One Services Review Cabinet Report, November 2010

Has it been or will it be considered by Scrutiny?

Yes. A position statement on the review to Scrutiny Board 3, 26 January 2011

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

Yes

Report title: CV One Service Review

1. Context (or background)

1.1 In light of the unprecedented spending cuts now affecting all areas of the Council, the CV One contract has been identified for review with a view to delivering savings.

1.2 The current contract provides for CV One to deliver the following services within the City Centre:

- Car park management
- Highways
- Cleansing
- Maintenance of designated sites
- Precinct Management
- Phoenix Initiative Maintenance
- Public Conveniences
- Lighting (Bull Yard and Phoenix)
- Access & Mobility
- Events
- Promotion
- Safety and Security
- Business Development

1.3 CV One have delivered the city centre management services since 2002 and have performed well supporting the Council in driving efficiencies, and have to date made cost savings in the region of £0.5m.

1.4 Initially, in November 2010, Cabinet approved further work aimed at reviewing and then transferring two elements under the existing contract back under Council control. Following more recent discussions between the Council and the CV One Board, the approach proposed in this report is the full managed transfer of services under the CV One contract back to the Council by 2012. Phase 1 of this transfer will take back car park management and events by 1 April 2011 as previously planned, and it is planned that £0.5m of savings will be achieved in 2011/12.

2. Options considered and recommended proposal

2.1 Service Review Progress to Date

2.1.1 The November 2010 Cabinet report detailed a clear rationale for bringing car park management and events back under Council control. This was following an initial review of all service areas delivered as part of the CV One contract.

2.1.2 The Council have worked closely with CV One to establish the implications of transferring car park management and events back to the Council. This has included identifying the Council grant used to fund these activities currently and any associated staff and legal implications. Following discussions with CV One and the Board of Directors a grant reduction figure has been proposed. Inevitably in a process of this nature, there are a number of financial issues to be finalised and as such, the Council has reserved the right to review the grant reduction figure.

2.1.3 The Council have assessed the capacity and cost of delivering these services in house and the anticipated cost savings as a result of the transfer. These have been built into the medium term financial strategy at £0.5m for 2011/12. Work is ongoing to ensure that the 2011/12 savings are delivered.

2.2 Car Park Management

2.2.1 Based on the review, the cost of delivering the service can be improved if transferred back to direct Council responsibility. Typical savings of 20% of the car park management activity costs can be sought through integrating some of the activities, such as opening and closing car parks and cash collection, into other contracts or services delivered by the Council.

2.2.2 In addition to these quick wins, bringing the operation and management of car parks under direct control will have longer-term benefits by allowing the development and delivery of a fully integrated parking strategy for the city centre, which will present opportunities to develop income for parking, both on-street and off-street, in a more structured and cost-effective way. Direct control will also create a greater incentive than currently exists under the present arrangements to develop the quality of the asset, both in terms of attracting customers and therefore income but also in minimising future liabilities for large scale maintenance and repairs, something that is likely to require significant capital investment over the course of the next few years.

2.2.3 In summary, this presents a good opportunity to reduce the costs incurred by the Council in delivering the service, whilst at the same time increasing income and providing better overall value for money.

2.3 Events

2.3.1 Responsibility for events has been with Culture Leisure and Libraries (CLL) marketing team for the past four years. In 2009, a decision was made to transfer the CLL marketing team to Corporate Communications. During this time the team has been responsible for managing the event programme with CV One and also delivering a number of other events such as the National Holocaust Memorial Day event 2009, 70th anniversary of the Coventry Blitz, St George's day and a range of smaller community events.

2.3.2 As part of the Leisure Fundamental Service Review, a saving target of £60k has already been proposed against the council's corporate event budget for events previously run by CV One. Based on proposed combined budgets from the CV One review and budget within CLL's corporate event budget there will be a net budget of £623k for 2011-2012. This will enable the delivery of a full event programme which includes all events previously delivered by CV One with the exception of the Rhythm Festival.

2.3.3 The Godiva Festival will continue to be the jewel in the crown of the programme and the aim is to focus on engaging with local communities. This will be achieved by:

- Working with local bands to re-energise the relationship that has been sensitive over the past few years
- Working with partners to create a Godiva fringe event where other art, music, cultural providers would badge their events as part of the festival.

2.3.4 The Council's communications team is developing a full marketing plan for the event which will include the development of a new brand identity, a website, and use of social media.

2.4 Implications on Service Delivery

- 2.4.1 The main implication for the Council in respect to the transfer of services back in house is the TUPE obligations which affect any employees who are wholly or substantially engaged on services being delivered as part of the Council Contract. The Council's HR team have been involved to date in establishing the TUPE implications of the transfer of car park management and events services and the staff affected. These implications have been shared and are in the process of being agreed with CV One. Subject to further consultation, affected staff in relation to car park management and events will transfer to the Council on the 1 April 2011.
- 2.4.2 In order to continue the delivery of events and progress the Godiva Festival for 2011, it was agreed that the three specific events staff from CV One will be client managed by the Council and based within the Communications & Events team. This took effect from the 17 January 2011.
- 2.4.3 With the transfer of services back in house, there is also the requirement for a full asset transfer agreement. The agreement will include the inventory of assets, key staff and a partial surrender of New Union Street offices. In addition, the events licence will also be reassigned back to the Council.

2.5 Contract Modifications and Next Steps

- 2.5.1 At this time, the Council would usually receive and approve a 3 year business plan from CV One. However, the approach recommended in this report will mean that the Council does not extend the CV One contract, post March 2012 but progresses a full transfer of services back to the Council.
- 2.5.2 As part of this process the Council intends to work very closely with CV One and its Board to develop a detailed transition plan for the transfer. This will include mapping out the financial and legal steps that are required to achieve this aim. In order to bring an orderly closure of the contract between the Council and CV One, it is proposed that the extension of the contract is not implemented but a grant aid agreement between the Council and CV One adopted to cover the remaining services during the transition period. It is recommended that approval is given for both parties to enter into the grant aid agreement with specified outputs that CV One must comply with. This work will supersede the requirement for the Council and CV One to agree a 3 year business plan.
- 2.5.3 In working with CV One over the coming months, the Council and CV One's Board are committed to ensuring continuity and quality of services to the people of Coventry and profile of the City. To this end the Council and CV One will:
- Take decisions on the basis of managing risk (both financial and service);
 - Adopt a joint working approach whilst respecting the independence of the Board and indeed executive power and democratic legitimacy of Members. This will include an - open book approach to all aspects of the CV One business;
 - Agree joint communications about transfer of services;
 - Development of a HR strategy (both internal and external).

3. Results of consultation undertaken

- 3.1 The Leader of the Council, Cabinet Members and Senior Officers have been consulted to ensure that the process has been robust, transparent and targeted in order to achieve the over-arching objectives, as well as seeking advice on the relevant components of the review, such as finance, legal and HR.

- 3.2 Direct consultation with CV One management team and their Board members was undertaken.
- 3.3 TUPE Implications and resolution of the staff transfer have involved the trade unions representing CV One staff and legal advice obtained by both parties.

4. Timetable for implementing this decision

- 4.1 Car park management and events will transfer in house on the 1 April 2011.
- 4.2 Asset transfer agreement will be completed by the 1 April 2011.
- 4.3 The contract will be modified to take account of the services withdrawn and a revised net annual payment from the 1 April 2011 and a grant aid agreement adopted for the remaining transition period
- 4.4 The phased transition of the remaining services will be developed between the Council and CV One within the parameters detailed in this report. It is anticipated that the full transfer of services will be completed by 31 March 2012, with an interim transfer of most services in October 2011.

5. Comments from Director of Finance and Legal Services

5.1 Financial implications

With effect from 1 April 2011, the car park management and events services transferring back to the Council will result in a reduction of the grant paid to CV One. Of this, £0.5m has been identified as a saving in the Council's approved Medium Term Financial Strategy (MTFS) for 2011/12, attributable to efficiencies within both the direct and indirect costs of providing those services.

As the transition plan develops for the transfer of the remaining services provided by CV One back in house, it is expected that these savings will increase to benefit the MTFS further in 2012/13 onwards..

It is considered necessary to support CV One in the transitional period in order to maintain continuity of services for the City and to achieve the long term objective of additional savings once the remaining CV One services are brought back in house. In order to achieve this, it is proposed that a limited amount of additional funding is provided under the terms of a grant aid agreement to CV One. The details of which are contained in the private section of this report.

Although this report recommends Council expenditure, the overall package represents good value for money for the Council, because it assumes that the injection of cash resources up front will release ongoing savings.

Members are asked to support these proposals.

5.2 Legal implications

The Council will complete documents with CV One which will cover the transfer of relevant employees detailed in paragraph 6 below and the assets which the Council will require to carry out the transferred services in house. The transfer will also include a partial surrender of the premises lease at New Union Street back to the Council, the novation of any contracts for services and the completion of a grant aid agreement.

The documentation will contain appropriate transfer provisions including warranties and indemnities in relation to pre and post transfer liability of each party.

The changes to the funding provided for the delivery of services will be carried out under the well being powers, under section 2 of the Local Government Act 2000.

6. Other implications

HR Implications

Following consultation and in compliance with TUPE Regulations, there will be a transfer of employees from CV One, who are wholly or substantially engaged in the delivery of events and the supervision and delivery of car park management services. Staff consultation with CV One staff and trade unions commenced from 17 February 2011. The final list of staff transfers will be confirmed by 18 March 2011.

As part of the transition plan the implications for the remaining CV One staff will be set out.

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

The key objectives which CV One contribute to achieving, as outlined within Coventry's Sustainable Communities Strategy include:

- A prosperous Coventry with a good choice of jobs and business opportunities for all the city's residents.
- Making Coventry's streets, neighbourhoods, parks and open spaces attractive and enjoyable places to be
- Ensuring that children and young people are safe and enjoy, achieve and make a positive contribution to Coventry
- Making places and services easily accessible for Coventry people
- A creative, active and vibrant Coventry
- Improving Coventry's environment and tackling climate change

Particular organisational priorities for CV One include improving the image and perception of the city, creating an attractive, safe and welcome city centre, attracting and hosting visitors and the advocacy and support for city centre stakeholders.

The spending cuts facing the Council mean that difficult decisions have to be made in order to achieve the priorities of protecting frontline services and supporting our most vulnerable residents. Therefore savings from streamlining back office and support services and reviewing contract values and the cost of services delivered, is one of the key objectives of the Council.

6.2 How is risk being managed?

The services review with CV One will be included on the City Services & Development project register. With improved governance arrangements and dedicated client management, this will enable effective project management and subsequently management of risk. Identified risks will then be registered in accordance with corporate procedures and those risks will be monitored and managed through the project team and board.

The review work has been supported by a dedicated project team consisting of Special Projects Finance, Corporate Finance, Legal, HR and Project Management officers, ensuring that the relevant advisors and professional advice is obtained.

6.3 What is the impact on the organisation?

With bringing services back in house, the Council will be affected by TUPE regulations and the transfer of staff who are wholly or substantially engaged in the delivery of those services.

Accommodation will need to be considered for the transfer of additional staff and assessment of the space to best suit the requirements of the service and ICT systems. On the whole, there will be little impact with events and car park management and current arrangements for car park management will be for the service to continue operation from the New Union Street Office as occupied by CV One. Such arrangement will be achieved with a partial surrender of their premise lease.

A full asset inventory relating to events and car park management have been requested and will be transferred to the Council from April 2011. There may be a requirement for such assets to be stored securely and insurance for such items obtained. The extent of the assets will be finalised prior to April 2011.

It is our priority as a Council to ensure that we improve our services for the people of Coventry and ensure value for money in a changing and challenging future. The Council has the responsibility to ensure that CV One, as a private sector arm, continues to perform effectively and efficiently in accordance with the core objectives. The modifications to the services contract will therefore have a positive impact on our organisation through significant cost savings, by ensuring that further efficiency savings can be achieved through the streamlining of services being brought back in house, improved procurement and more innovative solutions to enable flexible service design. It is also the opportunity to develop robust service level agreements and performance management frameworks so as to ensure continual improvements and accountability.

6.4 Equalities / EIA

In consideration of the service transfer, management of the TUPE obligations will be in accordance to the council's equality policies and any ultimate change in service delivery will be subject to an Equality Impact Assessment.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

To ensure continuation of service delivery, the Council will work in close partnership with CV One to the end date of the agreement to manage the transfer of the remaining services back in house.

Further to the services review, more in-depth consideration is being given to the potential impact on the City Centre BID and its levy payers and the transfer of such arrangements to the Council.

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