

**NORTHAMPTON BOROUGH COUNCIL**  
**OVERVIEW & SCRUTINY COMMITTEE**

**Tuesday, 29 November 2016**

**COUNCILLORS PRESENT:** Councillor Jamie Lane (Chair); Councillor Graham Walker (Deputy Chair); Councillors Tony Ansell, Rufia Ashraf, Mohammed Azizur, Vicky Culbard, Janice Duffy, Elizabeth Gowen, Mary Markham, Dennis Meredith, Cathrine Russell (substituting for Councillor Terrie Eales), Brian Sargeant, Sam Shaw and Zoe Smith

**CALL-IN AUTHORS:** Councillor Danielle Stone  
Councillor Anamul Haque

**INTERNAL WITNESSES:** Councillor Jonathan Nunn, Leader of the Council  
Councillor Mike Hallam, Cabinet Member for Environment  
Julie Seddon, Director of Customers and Communities  
David Pietropaoli, Expert Advisor, Eunomia

**COUNCILLORS** Councillor Jane Birch  
Councillor Clement Chunga  
Councillor Muna Cali - Observing  
Councillor Gareth Eales  
Councillor Brian Markham  
Councillor Arthur McCutcheon - Observing  
Councillor Suresh Patel - Observing

**PUBLIC:** Mr Graham Croucher, St James' Residents Association

**OFFICERS:** Francis Fernandes – Borough Secretary and Monitoring Officer  
Tracy Tiff – Scrutiny Officer  
David Kennedy – Chief Executive, Observing  
Gary Youens – Political Assistant, Observing

## **1. APOLOGIES**

Apologies for absence were received from Councillor Terrie Eales, Councillor Cathrine Russell substituted and Councillor John Caswell.

## **2. DEPUTATIONS/PUBLIC ADDRESSES**

Councillors Jane Birch, Clement Chunga, Gareth Eales, Brian Markham and Mr Colin Croucher, St James' Residents' Association addressed the Call In Hearing.

## **3. DECLARATIONS OF INTEREST (INCLUDING WHIPPING)**

There were none.

## **4. CALL-IN OF CABINET DECISION OF 16 NOVEMBER 2016: ITEM 11: RE-PROVISION OF THE ENVIRONMENTAL SERVICES CONTRACT**

Upon the advice of the Borough Solicitor and Monitoring Officer, this Call-In request had been through the appropriate channels and it was confirmed that procedure had been followed. The Call-In Authors, Councillors Danielle Stone and Anamul Haque, would be invited to expand upon their reasons for concern, following which the Overview and Scrutiny Committee would question the Call-In Authors.

Councillor Jonathan, Leader of the Council, Councillor Mike Hallam, Cabinet member for Environment, would be invited to give evidence and respond to the Overview and Scrutiny Committee's questions. The Cabinet Members would be asked to give their reasons for their recommendations or advice. A questions and answer session would follow.

The Call-In Authors would then be given the opportunity to add any points of clarification before any resolution or recommendation be moved.

The Chair would then sum up the findings regarding the Cabinet decision. If there were still concerns, the Chair would lead in determination of the recommendation with reasons for consideration by Cabinet. At the conclusion of the debate and following responses to all matters raised, the Chair will ask the Committee to vote to determine whether or not it would uphold the decision of Cabinet.

The Chair invited ward Councillors and the member of the public to address the Call-In Hearing:

Mr Graham Croucher, St James Residents' Association, addressed the Call-In Hearing:

Comments made included:

- Resident Associations, such as St James Residents' Association, did not appear to have been involved in the consultation process
- There is a need for full consultation with organisations and stakeholders
- It seemed that the decision had already been taken
- None of the three options are significantly better
- Scrutiny involvement is needed in this process

The Committee asked questions of Mr Croucher, made comment and heard:

- In response to a query regarding the type of consultation that residents would like, Mr Croucher suggested that in his opinion there had been no consultation to date, a wider consultation with the general public and various groups is required. He suggested co-option to Overview and Scrutiny.
- Mr Croucher referred to unemptied bins and littering around the town.

The Committee heard from Councillor Brian Markham. Key points:

- There is a need for Overview and Scrutiny involvement in this process
- There is a need to ensure that we get services, such as waste management, maintenance of parks, street cleaning etc. right
- All three of the options are finely balanced; none significantly better than any of the others
- The Council should consider different options for waste and grounds maintenance

The Committee heard from Councillor Gareth Eales. Key points:

- The importance of Scrutiny consideration of the Call-In was highlighted
- There had been a lack of consultation; it is important to gather the views of the public
- The decision was made, then there was consultation
- It is important that the decision about the contract is right
- It is not right to base the success criteria provided by the current Service Provider

The Committee asked questions of Councillor Eales and heard:

- In response to a query regarding Overview and Scrutiny input into this issues, Councillor Eales commented that he was of the view that it would be considered by Scrutiny
- In answer to a query regarding the monitoring regime, Councillor Eales felt that this was something that would be considered at a later stage

The Committee heard from Councillor Clement Chunga. Key points:

- Concerns were raised about how the decision was taken
- Limited consultation has taken place thereby causing missed opportunity for achieving Value for money (VFM) which is one of key concepts of accountability the other than lowest price and judgement (Reference from the Council's Procurement Guidance)
- There are more than three options available and unfortunately only three were considered
- The Environmental Services contract is key to the Council being placed into in a top quartile of all Councils and therefore every opportunity should be evaluated

properly and informed decision taken. In this way, management can have confidence in answering any subsequent questions on the entire decision making process and provide full justification for the decision taken. The bedrock or Policy for this Council is to use best VFM which is the optimum combination of whole life cost and quality to meet the customer's requirement

The Committee asked questions of Councillor Chunga and heard:

- In response to a question regarding what other options should have been considered, Councillor Chunga commented that statistics indicate there is a problem with the current contract and other alternatives such as partnering should be considered.

The Committee heard from Councillor Jane Birch. Key points:

- Concerns were raised regarding the way that the statistics had been presented and interpreted for the next stage of the process
- Concerns were raised that the financial modelling had been built upon the current service
- Concerns were raised regarding the statistics provided by the consultation
- A number of Local Authorities have brought their Environmental Services contract back in-house, including Bristol, Middlesborough, Hounslow and Newcastle under Lyme. Liverpool has not renewed its contract with Enterprise
- A private company, such as Enterprise, is bound by its duty to shareholders to make a profit

Councillor Danielle Stone, Call-In Author, and Councillor Anamul Haque addressed the Committee and expanded upon their reasons for Call-In: -

Key points:-

- Details of an assessment of the three models was not contained within the report that went to Cabinet
- The report does not refer to an assessment of the need for flexibility within the contract, and did not make reference to social, economic, growth, expansion and the changes in technology landscape
- The Service Scope is not clear
- There is a need to know the expected outcomes around:
  - Excellent service
  - Value for money
  - Good employment conditions
  - Living Foundation Living Wage
  - Minimised risk
- A fourth option should have been included in the report – A Shared Service Model

- There was no in-house bid team
- The decision appeared to have been made in haste and creates a risk
- The decision should not have been made without the cost of transformation for each model
- There is not enough information available for a sound judgement to be made
- There is a need for community involvement, including tenants. There is a need for a thorough public consultation
- The options appraisal needs full Scrutiny
- Pre-decision Scrutiny should have taken place
- This is one of the biggest decisions to be taken by this Council and it needs to be right
- The Council needs to be in control of its services
- The report of PWC, the Council's internal Auditors, makes reference to problems with the report regarding the re-provision of the Environmental Services contract: -
  - The modelling and lack of challenge to the modelling
  - Assessments based on the present contract
  - Flexibility and transformation not part of the assessments.

The Committee asked questions the Call-In Authors:

- In answer to a question whether a more collaborative approach would have been better, Councillor Stone suggested there should have been a grass roots consultation. Council tenants are key stakeholders and should have a big voice.
- It is a high risk project and there needs to be more Scrutiny involvement.

Councillor Jonathan Nunn, Leader of the Council, provided evidence, key points:

- A Cross Party Cabinet Advisory Group had been set up and was consulted upon at the various stages of the process. The Cabinet Advisory Group will continue throughout the process.
- All Councillor were given the opportunity to obtain a copy of the full report; no Councillors requested a copy
- An enormous amount of work has taken place on the process to date. The approach taken must be thorough. Expert advisors in this field of work were engaged to undertake the project.
- Contracting out is the best option based on professional expert advice.
- There is a need to ensure best value for the Tax Payers.
- A report will be presented to Cabinet on a quarterly basis.
- Consultation has taken place to date. Further full consultation will take place at the next stage of the process.

The Committee asked questions of the Leader of the Council:

- In response to a comment that the public has concerns regarding the current contract and that it needs Scrutiny involvement; the Leader of the Council advised that now is the time to consider the re-provision of the contract. It is at the start of the process and has taken a number of months to get to this stage. Expert advisors have provided advice that this is the best option.
- Full consultation will take place at the next stage of the process. Residents' views will be gathered at this stage of the consultation.
- In answer to a question regarding providing a gold service contract, the Leader of the Council advised that the contract is about value, cost and it is prime that a good service is provided to residents. The service must be right. It is crucial that standards are high. It is vital that standards and cleanliness of the town is a top priority.
- In response to a further question regarding quality, the Leader of the Council confirmed that quality is vital. The terms of the contract must be right. Quality is a key aspect and has been assessed fully.
- In response to a question regarding the consideration of an arms' length organisation or a Trust running the contract, the Leader of the Council advised that this option had received full assessment

Councillor Mike Hallam, Cabinet Member for Environment, addressed the Committee via Skype, key points:

- This process started approximately 12 months ago.
- The cross party Cabinet Advisory Group was set up at the request of the then Leader of the Council.
- Multi-level consultation will take place at the next stage of the process.
- Ipsos MORI undertook interviews with of a sample of 1,000 residents across the borough of Northampton.
- The external expert advisors provided excellent advice and support.

The Committee asked questions of the Cabinet Member for Environment:

- In response to a query regarding consultation, Councillor Hallam advised that full consultation would take place at the next stage of the process.
- In reply to a question about the Ipsos MORI survey, Councillor Hallam reported that the survey is about opinion, not predicting outcomes

The meeting adjourned at 19:34 hours and reconvened at 19:39 hours

The Committee continued to question the Leader of the Council and the Cabinet Member for Environment:

- In response to a query regarding the next stage consultation, the Leader of the Council advised that this will be a full consultation, the details of which have yet to be confirmed.

- The Committee commented that it appeared the process had been done “backwards” and that residents should have been consulted in the first instance.
- In response to a query regarding the Cabinet Advisory Group, the Committee heard that a letter was sent to all Parish Councils and Residents Groups, including the Federation of Residents’ Associations asking them to nominate a representative to sit on the Group. The Cabinet Advisory Group selected the Expert Advisor and put together the Ipsos MORI questionnaire

David Pietropaoli, Expert Advisor, Eunomia, addressed the Call-In Hearing, via telephone:

- The Cabinet report had been made available to all Councillors
- The full report had not been published as it contained commercially sensitive information.
- The Cabinet Advisory Group had supported the process taken
- Officers introduced a robust governance and control framework to support the delivery of the Environmental Services Re-provision Project. The Council’s internal auditors, PwC, undertook a review of the project’s governance arrangements and concluded that these were robust for the relevant stage of the project.
- The Council’s current service provider had provided performance data
- The full report contains details regarding the profit margin
- Assumptions had been made for the three options regarding pension costs. Officers from HR, Financial Services and Pensions had been fully engaged in the process and had validated and refined the assumptions around pension costs, in particular contribution rates, pension fund deficit payments etc., as it was recognised that the pension costs drive a considerable proportion of the cost difference between the commissioning options. .
- Performance standards had been modelled and benchmarking took place – this process will carry forward to stage two of the process
- The living wage had not been considered as part of the Scope. However, it will be factored into each commissioning option.
- Internal support means officer time and LGSS support functions
- External support means the support that the Council may need to procure to enable successful delivery of the project and in particular during the OJEU procurement process for the provision of: technical and procurement support, legal support, HR and pension support, finance support. Officers will develop the Business Case for the next stage of the project, subject to the approval of the recommendation in the Cabinet report to implement the Contracting out commissioning option. The Business Case will also determine, through the people resource plan, where the Council will need access to specialist external skills.
- An estimated budget of £120,000 may be required to deliver high level consultation and communication with stakeholders.
- Eunomia assessed the three commissioning options against the following two criteria:
  - quality and risk
  - cost
- The Cabinet Advisory Group met in June 2016 and considered quality and risk, identifying the key areas of risk. Quality will be looked at as the process goes forward.

- The assessment of the risks followed a robust approach and various stages of refinement.
- Eunomia undertook the cost modelling by creating a bottom-up financial model to reflect the current commission as accurately as possible and a financial model for each commissioning option. Eunomia worked closely with the current contractor to make an assessment regarding profit margins etc. to compare each of the three options.

The Committee put questions to the Expert Advisor:

- In response to a query regarding the importance of cost rather than flexibility, the Expert Advisor reported that the weighting of cost and quality was discussed by the Cabinet Advisory Group; the three commissioning options were based on quality and cost. Various tests were undertaken. Weighting was 60% quality and 40% costs.
- It was confirmed that the report explains the meaning of quality

The Chair invited the Call-In Authors to add points of clarification.

Councillor Danielle Stone advised:

- The process was flawed and is the most important decision that this Council will take. A too short a timescale has been set. The decision has been made in haste. PWC, the Council's internal Auditors are critical of the report. There has been no proper consideration of a fourth option. Councillor Stone urged the Committee to uphold the Call-In.

Councillor Haque concurred with Councillor Stone's points.

There were no further questions of the Call-In Authors.

## **Findings and Conclusions**

During the deliberation session, the Overview and Committee concluded that there was a need for wider consultation, the recommendations were ill-informed, based on assumptions regarding costs, before quality; the areas of methodology used were flawed; and the contracting out option had been based on a failing contract. The Committee further concluded that there was a need for Overview and Scrutiny involvement at the relevant stages of the process.

The Chair advised of the information received and asked the Committee to consider whether the Call-In would be upheld or not.

Upon a majority vote it was resolved that:

- (1) That after all the evidence had been heard that the Call-In be accepted on the grounds that:



- (i) there is the need for wider consultation;
- (ii) the recommendations were ill-informed, based on assumptions regarding costs, before quality;
- (iii) the areas of methodology used were flawed;
- (iv) the contracting out option had been based on a failing contract.

(2) That there is Overview and Scrutiny involvement in the relevant stages of the process.

The meeting concluded at 20:52 hours