

Investigation review

Authority Name – Southampton City Council

Project Name – ROMTV (Relocation of Romanse and CCTV services)

Investigation Review Team:

Paul Monaghan

Austin Hogger

Version number: Revised Final

Date of issue to PO: 13 December 2012

Project Owner: Richard Ivory

Investigation Review dates: 10/09/2012 to 12/09/2012 & 04/12/2012 to 13/12/2012

Project Title: Relocating of Romanse and CCTV

Local Partnerships Health Check Number: LP 241SC500

Conclusion

The Review Team (RT) find that Romanse and CCTV services were considered as a single package of services from at least the beginning of 2011 and probably even earlier. However, the decision to co-locate the two services, and the recommendation to move quickly to outsourced provision, do not seem to have been based on a rigorous business case.

In the narrow terms of the tendering process, the RT find that this was well managed by the Project team. In particular, completing the tendering process in 9 months was a major feat and the Project team should be congratulated for their efforts.

However, this review highlights shortcomings in project governance, strategic leadership and stakeholder management. Also, information provided to staff, Unions, service managers and the Overview and Scrutiny Management Committee (OSMC) fell well short of good practice.

On the contentious decision by the outgoing administration to award the ROMTV contract after the 2012 election had taken place, the RT has been advised that clear advice was provided by senior officers confirming the legality of that course of action but strongly advising against it.

The RT has concluded that the need for such a late award decision could and should have been avoided by more robust and effective risk management and senior officer leadership.

This report makes a number of recommendations for improvement in project governance, project sponsorship support and training, stakeholder engagement, option appraisal and information flow to the Overview and Scrutiny Management Committee.

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This report is an evidence-based review. It reflects the views of the independent review team, based on information evaluated over a four day period, and is delivered to the Project Owner shortly after the conclusion of the review.

Summary of report recommendations

The review team makes the following recommendations:-

Ref	Recommendation
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| 1. | There should be detailed consultations with service managers and union representatives in advance of any future major changes in service. Guidance for officers involved in major staff re-organisation should be reviewed and briefing provided to improve knowledge and understanding. |
| 2. | Review Option Appraisal systems and consider providing guidance and staff training. |
| 3. | Review the arrangements for providing information to the Overview and Scrutiny Management Committee. |
| 4. | Review governance arrangements for major projects, ensuring that Project Boards are established at the outset and that suitable assurance regimes are in place to provide robust challenge. |
| 5. | Provide new Project Owners/Sponsors of major projects with enhanced support and training in their duties. |

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Background

The aims of the project:

A review of CCTV, ROMANSE (Intelligent Transport Systems) and Housing Support (Community Alarm, Concierge, Out of Hours and Responding) services was commissioned by the Efficiency and Transformation Programme Board (E&T Board) to consider closer, more sustainable working between the services. A review report was accepted by the E&T Board on 24th January 2011. The review identified that:

- the efficiency target set for both services could not be delivered without investment and was likely to impact on existing service levels if delivered internally;
- the continued provision of these services was crucial to the economic health of the City;
- co-locating the services at the Council's new City Depot site would deliver strategic, operational, and financial benefits
- of the two main options for relocating the services – internally or outsourced – an outsourced approach appeared more appropriate;

The Recommended proposal entailed relocating CCTV and ROMANSE to an integrated control room adjacent to the Housing Support services (which were already scheduled to relocate to City Depot as part of the original project). The review concluded that Housing Support services should be kept separate for operational and financial reasons.

The driving force for the project:

The Efficiency and Transformation Programme Board initiated a cross Authority review focused on 'the use of Traffic Management and CCTV to deliver efficiencies through the development and implementation of a comprehensive, sustainable Council Strategy'.

A net efficiency target of £555k saving total was set for the Romanse and CCTV services. Financial models indicated that this target would not be achieved without reducing service provision. It was decided the focus should be on minimising the impact on outputs and outcomes. An outsourced arrangement was deemed to enable the best opportunities to reduce operational expenditure whilst maintaining outputs and outcomes.

The procurement/delivery status:

Balfour Beatty has been contracted to deliver the service for 10 years with an option for a 5 year extension. The new combined service went "live" in October 2012.

Current position regarding Reviews:

This is the first review.

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Purposes and conduct of the Review

Purposes of the Review

The Authority has asked the Review team to investigate some specific issues, to reflect on potential remedial action and to make recommendations based on the lessons learnt.

The issues investigated are not straightforward and they touch on the organisational culture of Southampton City Council. Whilst the Review team has endeavoured to address the issues requested by the Authority, they are conscious that they have only had limited time and have not seen all the relevant stakeholders, especially key Council Members from the previous Tory administration, nor all of the relevant documents.

Appendix A sets out the full Terms of reference for this review.

Conduct of the Review

This Local Partnerships Investigation Review was carried out at the Southampton City Council Offices in two stages. A draft report was issued after the initial interviews carried out from 10 to 12 September 2012 and presented to the Leader of the Council. Then, a further round of interviews were undertaken on 4 December 2012 and a revised report completed. The team members were the same for both stages and are listed on the front cover.

The people interviewed are listed in Appendix B. The Review Team would like to thank the project team for their support and openness, which contributed to the Review Team's understanding of the Project and the outcome of this review and in particular Richard Ivory, Jane Napier, Lisa Bates and Amy Mullan.

Findings and recommendations

The Review team has been asked to investigate specific issues, (these are indicated by bulleted text in italics below), as well as offering more general advice on remedial action and lessons learnt.

1: Scope of project and linkages between Romanse and CCTV services

- *There is a perception that the decision to review and make a decision in relation to ROMANSE was well prepared and considered, but the decision to “add” the CCTV function to the package was made late in the day, and it is that decision, the process and rationale behind that decision and the consequences that is the issue;*
- *Hence – was CCTV always in the options appraisal and if not when and how was the decision to add CCTV made, and on what basis;*
- *What was the rationale behind that;*

Review team comment

This ROM TV project appears to have been part of a much wider drive to capture potential efficiencies through review of current services and consideration of different delivery models. This work was being driven by the E&T Board supported by officers experienced in other efficiency led projects. The Authority had a recent successful track record of outsourcing Street lighting and Highways services with a similar aim of reducing costs through involving the market competitive process, thus bringing in private sector expertise and innovation.

It is very clear from the project documents seen by the RT confirmed by several of the officers interviewed during the review that the decision to link Romanse and CCTV services was made at an early stage in advance of the Option appraisals in late 2010 and early 2011. Opinions differ markedly about the degree of synergy between the two services; some stakeholders regard the synergy as negligible and superficial whilst others, including notably the incoming contractor Balfour Beatty, find the synergy significant. There did not appear to be a strong business case for bringing the two services together when the decision to do so was made.

Management of the tendering process appears to have been well managed after the initial disruption from July to September 11 caused by a change of project manager. Completing the tendering process in 9 months was a major feat and the Project team should be congratulated for their efforts.

The appointment of Balfour Beatty has been well managed and the relationship between parties to the contract is very positive as they move from the mobilisation period into “go live”. The £500k savings identified have been secured and the investment required to deliver a strong service agreed. There is confidence the service provided will be initially as good as the current service and that the new investment ought to lead to an improving future provision.

What is far less clear is whether there was any real depth of analysis of the benefits and disbenefits of outsourcing and in particular the bundling of Romanse and CCTV services. The RT has not seen any clear narrative to show the link between the proposed shape and scope of the services to be outsourced and alignment with the wider strategic objectives of the Authority. There is a strongly held view within some of those interviewed that there was a lack of any meaningful consultation with service managers prior to the decision to outsource CCTV services which contributed to the later confusion about an in-house bid and the decision to re-open and re-examine the delivery options. A number of

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officers interviewed suggested the outsourcing could hamper future service flexibility and limit the options to reshape the Authority's community safety approach.

A number of interviewees also felt that the strategic decision to link the two services and proceed with a procurement exercise was done without consulting with some of the service managers in any meaningful way. This investigation suggests that the service managers and union representatives were advised of the recommendations set out in the option appraisal in May – June 2011 after consultants had been appointed to help draw up technical specifications for the proposed outsource of the integrated Romanse and CCTV service. It is further recognised that the Authority breached agreements with Unions to advise them in advance of decisions affecting staff employment. It is very clear that there were very strongly held views within the officer community about the outsourcing of CCTV services both for and against.

Recommendation 1

There should be detailed consultations with service managers and union representatives in advance of any future major changes in service. Guidance for officers involved in major staff re-organisation should be reviewed and briefing provided to improve knowledge and understanding.

The rationale behind the decision to outsource was one of reducing costs, transferring risk and increasing investment in both services. The Review team (RT) has seen E&T Board papers dated January 2011 and April 2011 that set out the argument for and against. These conclude that outsourcing was the best option. The information and especially the Options appraisal evaluation analysis process lacks clarity and this has led to a range of interpretations and questions about its validity.

Recommendation 2

Review Option Appraisal systems and consider providing guidance and staff training.

2: Governance – Committee interfaces and stakeholders

- *Following the decision to outsource Romanse and CCTV services, was the due process (due diligence) required to provide the decision makers with robust and professional advice undertaken in relation to the CCTV function;*
- *Concern has also been expressed as to the quality and timeliness of the information given to members, especially the Overview and Scrutiny Management Committee (OSMC) who called the decision in view of their concerns. What information was offered and afforded to OSMC and when.*

Review team comment

When the report on the ROMTV service was considered by Cabinet on 4 July 2011, the report's recommendations tasked officers to proceed with a procurement process to select a private provider who would run both services, co-located, for a period of up to 15 years. Despite the unequivocal clarity of this recommendation, during this review the RT has found a widespread lack of awareness about what Cabinet had actually agreed at that meeting; it would appear for instance that some officers, and, importantly, the then Council opposition believed that the Cabinet report simply initiated a process to explore options and which would offer subsequent opportunities for Cabinet's decision to be discussed

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further and perhaps revisited. However, the RT find that the Cabinet report clearly set in motion a procurement process which, provided it proceeded satisfactorily, only needed to come back to Cabinet for the contract award decision in early 2012; in the event the subsequent contract award report came to Cabinet in April 2012.

The July 2011 Cabinet report did not ask for an in-house bid to be prepared, nor did it suggest that the Romanse service could be outsourced by itself, ie without the CCTV service. On the contrary, from July 2011 Cabinet onwards (and indeed in preparatory working papers which preceded Cabinet), Romanse and CCTV were to be brought together and put to the market as a single package of services set for transfer to a private sector provider in due course. The reasons for the widespread lack of clarity (about July 2011 Cabinet's decision) mentioned above are various but certainly seem to include the following:-

- the Authority's organisational climate during 2011 was not conducive to effective discussion, consultation or communication due to high senior staff turnover and the hugely difficult industrial relations situation at that time.
- the Project board was only appointed in May 2011 so was unable to provide effective oversight at a critical point in the project.
- there is also a suggestion from some interviewees that the handover from the E&T Board to the newly formed ROMTV Project Board was ineffective in determining where delivery responsibility for the project lay; as a result, the Project Board may have been less effective in its leadership role.
- Formal consultation processes regarding the July 2011 Cabinet report did not it seems take place.
- Scrutiny processes regarding the ROMTV matter appear not to have been effective.

The prolonged industrial action, high staff and management turnover and intense budgetary pressures all may help to explain why discussion with staff, with Unions and even with service managers, especially CCTV service managers, appears to have been inadequate both prior to the July cabinet paper and in the months following. This appears for example to have left some service managers and the then opposition Members not knowing that Romanse and CCTV services were firmly proceeding to the market together and that the procurement process itself was proceeding apace.

The late establishment of the ROMTV Project Board, and the handover of delivery responsibility from the E&T Board, seems to have led to a lack of effective senior project leadership. Most importantly, sponsorship of the project was weakened by changes in senior management responsibility at a critical point when key decisions were needed. In particular decisions about resourcing and programming to maintain the project on programme to hit its milestone targets and ensure the contract award decision was taken to Cabinet in Feb/March 2012 were largely ducked.

Additionally, in the months after the clear remit given by Cabinet in July 2011 it was decided the decision to outsource service should be reviewed. This gave hope to those against the outsourcing and reopened the possibility of CCTV perhaps remaining in-house whilst presumably the ROM

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element proceeded to tender (when again Cabinet's decision in July 2011 had been quite clear - ROM and TV as a single tender package). This must have significantly increased the workload on the project team and delayed the tendering process.

More effective leadership would perhaps have ensured that stakeholders were clear on the direction of travel - even if that direction was painful and not unanimously supported. In mitigation, however, it appears that some stakeholders (perhaps especially those who were opposed to the proposed ROMTV outsource) were reluctant to engage with the project.

Scrutiny of the ROMTV matter fell within the remit of the Overview and Scrutiny Management Committee (OSMC) and it appears that the Chair of OSMC together with scrutiny support officers endeavoured on a number of occasions during 2011 and 2012 to gain a fuller understanding of the ROMTV matter. The RT feel, especially in the light of the growing interest of the then opposition Members in this matter, that the information and documentation provided to the OSMC chair, and therefore potentially to the committee itself, was significantly inadequate:-

- papers provided were short of key information and were, sometimes at least, late in coming forward
- confidential information was denied to OSMC until, the RT understand, somewhat late in the process when a decision to release confidential information to OSMC was finally authorised
- explanations to OSMC on important matters such as option scoring against evaluation criteria were unconvincing
- perhaps above all there was no planned sequence of OSMC briefings agreed in advance and covering the key milestones of the procurement process.

Recommendation 3

Review the arrangements for providing information to the Overview and Scrutiny Management Committee.

The early months of 2012 seem to have been particularly difficult regarding the scrutiny process and the RT feel strongly that the hiatus around the OSMC call-in of the April Cabinet decision could and should have been avoided. However, the RT feel that the reasons for that hiatus, and indeed the reasons why the award decision report did not go to Cabinet until as late as April 2012, have their origins in 2011 as set out above.

It had been clear, probably from as early as Summer 2011, that there was a high risk that the contract award decision would be very close to or within the election period. It was initially planned that Cabinet was to have received the award decision report in February or March 2012 at the latest, in order that such a contentious and politically divisive decision would not be taken during the pre-election purdah period. The RT team has been advised that there was a strongly held view that if the decision to outsource ROMTV was deferred, a new Labour administration was almost certain to reverse the

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decision. As a result the then Tory administration was determined to press on and not to delay the contract completion until after the election. The RT is advised Legal advice was sought which confirmed that there was no illegality in the decision to complete the contract at a very late point in the Tory administration's life. In the end, the award decision was only confirmed by the outgoing administration (following call-in) after the election had taken place. For a contract award decision to be made in this way is a wholly exceptional situation and one that, in the view of the RT, was avoidable by more effective management in the second half of 2011.

Taking a wider view of the procurement process it is clear that targeting a pre-election cabinet decision was always a major risk and would require careful management to achieve. Once the decision had been made to outsource the ROMTV services there was a maximum of 8 months from July 2011 Cabinet to the proposed award in February/March 2012. This was a very short period in which to complete the tendering process and represented a very ambitious target. Even with as little as a couple of weeks slippage on the procurement programme, the award date was going to slip into the pre-election period. Therefore, in the view of the RT, from as early as the July 2011 Cabinet, good risk management and mitigation should have ensured;

- either that the project was sufficiently well resourced from the outset to meet the pre-election timeline
- or a post-election award should have been timetabled from the outset of the procurement process
- or a cabinet approval strategy should have been developed allowing for Cabinet approval in principle in February/March with final terms delegated to officers (including Monitoring Officer, Section 151 Officer and Chief Executive) in consultation with relevant senior Members of the Tory Administration.

It appears that none of these options were adopted and as set out earlier in the report additional challenges were added by the change in project manager and reopening of consideration of an in-house option

The RT understand that Members of the previous administration were advised that an early 2012 award decision would be achieved but it is clear the necessary actions to protect this timeline were not put in place as outlined above. It is very surprising that the procurement was not fully resourced immediately after the July 2011 Cabinet decision (for instance we understand the incoming Project manager did not effectively start work until some months after the July decision due to other commitments); also, as highlighted elsewhere in this report, a number of blind (and time/resource consuming) alleys were gone down by the Project team including the discussions about an in-house bid.

Accordingly, the RT feel strongly that the Cabinet award decision should not have been allowed to slip into the pre-election period. Once it had become clear that a February/March 2012 award decision report to Cabinet was not possible because of timetable slippage, an alternative option should have been employed. Whilst a deferral of the award decision until after the May elections would still have

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been the prudent and sensible course, the RT accept that the previous administration were by then unmoveable in their determination to award the ROMTV contract before the election (in the event the award decision was made after the election, following scrutiny call-in). Nevertheless, other options were still available to officers; for instance, a report could have been taken to Cabinet in say February or March 2012 seeking delegation to officers to make the final award in consultation with relevant Members of the previous administration. The RT understand that this option was raised by some officers and indeed such an approach had been used at the Council on previous occasions. That these alternative options were not employed in this case represents a failure of senior officer leadership.

An internal assurance review was carried out in September 2011 to reassess the proposals in the aftermath of strong representation from service managers and Unions. Whilst it may have been helpful to undertake a review at that point it was not carried out by someone with experience of undertaking reviews or external to the project team which largely invalidates its objectivity and overall value. In addition, resourcing this internal review from within the project team probably contributed to timetable pressure and subsequent slippage.

Recommendation 4

Review governance arrangements for major projects, ensuring that Project Boards are established at the outset and that suitable assurance regimes are in place to provide robust challenge.

One additional contributory factor is that the Project Sponsor and chair of the Project Board was newly appointed and in an acting -up capacity. As recognised elsewhere in this report, the culture of organisational change, industrial relations breakdown and senior staff turnover was acutely challenging throughout the ROMTV procurement period. The RT also understand that the Project Sponsor had been advised that her acting-up position was not going to be made substantive. In these circumstances, the RT would have expected to find evidence of enhanced support to the Project Sponsor; no such evidence is apparent.

Recommendation 5

Provide new Project Owners/Sponsors of major projects with enhanced support and training in their duties.

APPENDIX A

This LP Investigation review concentrates on those areas identified by the Authority as set out in the terms of reference below.

Terms of Reference

The Leader of Southampton City Council has requested an investigation into concerns in relation to the decision by the Council to externalise its CCTV function (not ROMANSE).

Following that request, the three Statutory Officers (Head of Paid Service, Chief Financial Officer and Monitoring Officer) have agreed these Terms of Reference for the investigation.

The matter relates to a decision by the Cabinet on 8th May 2012 to externalise the CCTV function. The relevant reports are available on line here and provide relevant background.

The issues are:

- There is a perception that the decision to review and make a decision in relation to ROMANSE was well prepared and considered, but the decision to “add” the CCTV function to the package was made late in the day, and it is that decision, the process and rationale behind that decision and the consequences that is the issue;
- Hence – was CCTV always in the options appraisal and if not when and how was the decision to add CCTV made, and on what basis;
- What was the rationale behind that;
- Following that decision, was the due process (due diligence) required to provide the decision makers with robust and professional advice undertaken in relation to the CCTV function;
- Concern has also been expressed as to the quality and timeliness of the information given to members, especially Overview and Scrutiny who called the decision in in view of their concerns. What information was offered and afforded OSMC and when.

The investigation should not only consider what if any remedial action could / should be taken, if it finds deficiencies, but also what lessons should be learnt and hence what recommendations it may wish to make to the Council both specifically but also overall.

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APPENDIX B

Interviewees on 10 & 11 September 2012

NAME	ROLE
Jon Dyer-Slade	Senior Manager Streetscene and Community Safety
Derek Stevens	ASB Operations Manager
David Wilkes	Project Accountant
Linda Haitana	Safer Communities Manager
Mark Pirnie	Policy and Performance Analyst
Stuart Savage	Bid Manager Balfour Beatty
Malcolm Cooper	Special Projects Manager
Sarita Riley	Senior Solicitor
Mike Tucker	Unison union rep
Cllr Barnes-Andrews	Chair of OSMC (at time of project procurement)
Frances Martin	Interim Director (at time of procurement)
Jane Richards	Business Manager for new service Balfour Beatty
Suki Sitaram	Senior Manager Customer & Business Improvement
Mark Pleydell (T)	Technical consultant
Cllr J Rayment (T)	Deputy Leader of Council
Stuart Love (T)	Director of environment (for 3 months of procurement)
Stewart George (T)	Technical consultant
Mark Wood (T)	Unite Union rep

Interviewees on 4 December 2012

NAME	ROLE
Jon Dyer-Slade	Senior Manager Streetscene and Community Safety
Nick Johnson	Project Manager from 2009-2011 (now left SCC)
John Harvey	Highways Manager
Alistair Neill	Chief Executive
Claire Wilkinson	Interim contract HR officer
Mark Heath	Director of Corporate Services & Monitoring Officer
Frances Martin (T)	Project Sponsor (now left SCC)

(T) = Telephone Interview

Graham Cook, Cllr Smith and Cllr Fitzhenry were asked but were unavailable for interview.