

**Report of: Director of Resources & Housing**
**Date: 5<sup>th</sup> Feb 2018**
**Subject: PPPU Service Review**

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

Following a review of PPPU, this report sets out a proposal for a new operating model. The report proposes that the current unit is disbanded and resources are integrated into existing Directorate Teams. Initial options were considered following feedback from a series of staff workshops that were held in September and October 2017.

For the majority of staff there will be no significant change to job roles, responsibilities or grade. They will be flexibly deployed into Directorate Teams. Further work has been completed to scope out the future senior leadership capacity at JNC, details of which are contained in a separate report.

**1. Background**

1.1. Launched in 1996 as the Facilities Development Unit, a team of existing experienced project managers, technical, legal and financial staff was drawn together to complement the Asset Management Unit in City Development and support Directorates in the implementation of the council's Capital Programme.

1.2. With the promotion of PFI by central government, the Unit was initially seconded to the Education Department to deliver a number of PFI contracts, bringing significant capital investment into mainly inner city areas. At first heavily reliant upon external advisers, as the work progressed officers were able to develop and retain knowledge, skills and experience. This allowed external costs to be significantly reduced and in-house capabilities and delivery enhanced. In turn this resulted in further opportunities being secured, in line with expanding government spending. The Unit was then moved to the

Chief Executive's Office in 2002, where the scope of work became wider. Adult Social Care, Highways, Leisure, Housing, Education and Waste, all sought and secured further capital investment (and PFI credits), and the Unit was also called upon to support external partners, including Health, and Police, to rationalise and enhance their capital assets and service delivery.

- 1.3. In 2011 the function of the Corporate Procurement Unit was incorporated along with a revenue budget and some 50 staff. In 2013, through the Better Business Management review, 24 Business Improvement staff, and 25 ICT staff and their associated projects were relocated into the unit through the flexible deployment policy. This brought overall staff numbers to 195, with budget provision for 60 FTE and the remainder engaged as part of a 'traded service'.
- 1.4. Following a full restructure in 2014-15, changes were implemented to adopt a national drive in procurement to create a Category Management approach to delivery supported by a Commercial Team of legal and financial advice, and a Portfolio Management Office collectively designed to optimise the resources and expertise available to the council, and external partners.
- 1.5. The budget to the Unit has reduced consistently over the last 5 years. The Unit is now operating with 142 posts, including unfilled vacancies, supporting all Directorates, NHS partners, West Yorkshire Police, and the Leeds City Region with a range of projects, procurements and contract management resources. 19 posts are currently vacant.

## **2. Achievements**

- 2.1. In proposing a new way forward, it is worth recording the achievements of the unit. The unit developed an enviable expertise in the delivery of PFI projects which has served the council and city enormously well over the course of more than fifteen years. The investments won and delivered through PPPU include:
  - The delivery of the Building Schools for the Future Programme
  - The Swarcliffe Housing PFI
  - Little London and Holbeck PFI
  - The RERF
  - Street Lighting
  - Care for people with learning disabilities
- 2.2. In total, the team has handled an estimated £1.5bn level of investment - few, if any councils, have been so successful. Without the existence of PPPU and the discipline and expertise it has brought, the city would have been unlikely to see many of these transformational projects. In addition PPPU have undertaken important non-capital projects, most significantly the delivery of the Tour de France. Over the last 5 years the

revenue budget for procurement work has reduced by 60%, yet over £300m in savings have been secured from this area of work as reported to Executive Board.

### **3. Going Forward**

- 3.1 Given the ongoing financial challenges facing the Council, Services are being asked to review ways of working to maximise effectiveness and efficiency. As such, the council is moving towards a more integrated and collaborative approach to delivering strategic outcomes, which brings together the right people with the right skills and expertise into a single team to deliver. Working successfully in this way heavily relies upon positive and productive working relationships
- 3.2 In spite of the tremendous record, the operating model of PPPU within the Council has for some time created tensions within the organisation.
- 3.3 By seeking to attract and retain staff who could reduce the council's reliance upon expensive external advice, the service offered salaries based on retention and market arguments more than most other parts of the Council. Whilst these have subsequently been consolidated, the tension this has created, exacerbated by the method of paying for the service via recharges, rather than through its own revenue budget, has created the impression of the service being an expensive resource.
- 3.4 The strong methodology used by the service has also been at odds with less formal ways in which most departments have operated, which has also led to a clash of styles. Whilst the Council will rightly want to see more rigour, there has been a sense that departments during the period of austerity have been unable to resource projects in the same way as PPPU.
- 3.5 The context in which the Unit works has also changed. Whilst some of the differences could be overlooked whilst the flow of important PFI investment was on-going, there is now less justification. PFI funding has effectively ended and the PPPU service is engaged on projects and procurements which are more similar in scale to works being carried out elsewhere within the council.
- 3.6 Some of these tensions have now resulted in poor working relationships between PPPU and Directorate services, which serves to undermine the Council's approach to acting as a single team and fails to make best use of the resources and talents we have available.
- 3.7 For all these reasons, the PPPU service needs to change.

### **4. Options**

- 4.1 A number of options have been considered as a result of feedback from staff workshops. There are a number of ways forward, each of which has its advantages and disadvantages. The chief arguments are briefly outlined below.
- 4.2 A reformed PPPU

One model is to leave PPPU essentially in its current form but move towards a hub and spoke delivery model in which PPPU staff were deployed to work more closely with departments but nevertheless remained responsible to the Unit. The benefit of the current shape is that the central commercial and procurement team consolidates expertise to the benefit of the council, whilst the project team provides not only professionalism but a high degree of flexibility, enabling resources to be moved to meet new priorities.

This approach, however, would not break down the existing barriers. The different working methods between services are likely to persist, as will the problem of staff working alongside each other answering towards different management teams. The change would not eradicate the perception of the separation and cost of the service.

#### 4.3 An expanded PPPU

One way to address differences in practice across the council, duplications between roles and inconsistencies in pay, is to bring all project officers and procurement staff under the single umbrella of PPPU. Arguably this same logic has been applied over the years to Finance, HR and ICT staff, so could be extended to procurement and project staff. There were moves a couple of years ago to try to map this which could be built upon.

Proponents would argue that such a move would improve the professionalism and consistency of the disciplines and provide the council with greater flexibility to deploy resources where needed. Arguably such an approach could lead to the greatest staff savings by consolidating roles. The exercise to identify project roles in departments, however, in practice proved very difficult, with a great degree of blending of staff roles with different responsibilities. Many managerial posts are engaged in projects, as are HR, Finance and Legal staff.

As well as this practical difficulty, there is an underlying concern within departments that a shift in this direction might effectively disempower management teams when it comes to key projects for which they hold ultimate responsibility.

#### 4.4 Disbanding PPPU

In view of the difficulties of the current arrangement and the above, a further option is to disband the current group. Disbandment provides a fresh start. In essence the option has two components: the distribution of project staff into different parts of the organisation to enable Directors to deliver key programmes; and the continued delivery of core functions for the whole council, working alongside other corporate colleagues who provide complementary functions.

In taking the step to disband, there are risks. The disciplines which have been so successful in delivering key projects can be lost; the Council may find itself unable to respond to emerging opportunities and problems due to the lack of a central resource. These two issues will be harder to deal with if resource is distributed. The Corporate

Leadership Team will need to give strong attention to these points as we move forward.

Nevertheless, despite these difficulties, there are some major attractions to taking this route. There is an opportunity to consolidate groups of staff into single teams with a united purpose to deliver against some of the biggest challenges facing the city. There is also the opportunity to analyse where the council has gaps and seek to address these. Key issues such as HS2 and the Transport Strategy need to be resourced. The Council should also seek to establish a stronger technical client for major capital projects to better specify our needs and manage the interface with NPS.

The retention of a smaller central team, focussed on procurement and technical financial appraisal, remains a sensible proposition. The Council is fortunate to have developed strong expertise and it is best placed to serve the whole council if retained in this form as an integrated commercial teams. The proposal, however, seeks to create better links to the appropriate professional leads within the council i.e. to the City Solicitor and Chief Officer Financial Services to ensure that all relevant commercial matters are considered in future in one place.

## **5 Proposals**

5.1 Feedback has been sought from PPPU staff and stakeholders and has been taken into consideration in developing potential options and the proposed direction of travel. It is acknowledged that there are differing views on the proposal.

### **5.2 Leadership Review**

The 2017/18 budget provided for 22.5 FTE. Staff leavers through turnover and ELI mean that the current JNC cohort in post is 17.5 FTE. The proposal to disband PPPU in its current form means that responsibilities for programmes will be dispersed to existing Directors and Chief Officers. Commercial and procurement decisions will be managed through the integrated commercial team as happens now, with responsibility for those staff sitting with the Chief Financial Services Officer; but professional accountability for legal staff within the team will be with the City Solicitor.

The recent resignation of the Chief Economic Development Officer has led the Director of Development to reconsider his senior management requirements. Further work has been completed to scope out the future senior leadership capacity at JNC, details of which are contained in a separate report

### **5.3 Commercial and Procurement Team**

There are a number of activities which it is proposed remain the responsibility of a commercial and procurement team. This outcome was strongly supported by staff in workshops:

- Legal/commercial/project finance support (including as a minimum; involvement in development of procurement strategy and commercial sign-off of approach and terms and conditions/award of contract);
- Formal OJEU processes;

- Identification of procurement opportunities across Directorates;
- Statutory responsibility and requirements (including CPRs and monitoring);
- Management of the YORtender portal and contracts register (data transparency and associated publication);
- Procurement and FMS helpline;
- Delivery tools and guidance on InSite;
- Monitoring and challenge of off and non-contract spend;
- Regional and national links procurement collaboration and best practice.

The team will provide specialist commercial support to Directorates across key corporate initiatives, as well as operational PFI projects (including ongoing contract management of PFI Projects). The team will remain responsible for key regional and external commercial support (RIF, regeneration fund support, YORhub, etc) and income.

There is also an opportunity to ensure duplications between PPPU, Legal and Finance are addressed with advice provided by the best team, rather than determined by which team departments choose to go to. Whilst the team will continue to be an integrated commercial team, legal and procurement staff will report to the Chief Financial Services Officer with the City Solicitor as the professional lead across the Council for legal staff within the team

There is also an argument to retain a small capacity which keeps track on the range of work going on across the Council and develops a network of professional project management across the council as a whole. The network should not be restricted to the PPPU staff distributed into programmes but to all staff engaged in projects. To improve effectiveness, efficiency, and address the better utilisation of resources across the council, all staff engaged in project and procurement work should utilise a locally agreed, simplified methodology for project and procurement delivery. It is proposed that this is best achieved by joining a small number of staff together with the corporate planning and risk team and staff report to the Chief Officer Strategy and Policy.

By picking and dropping staff into the Directorates, there are no specific financial implications for the Council. Existing funded vacant posts will be reviewed and replaced with posts that are better aligned to the Council priorities. The disbandment of the PPPU with project staff being allocated into Directorates therefore affords the opportunity to create a council wide team with responsibility for procurement and commercial legal / finance contract management.

Under these proposals the estimated staff cost of these teams (34.8 FTE) is approximately £1.7m. These teams will report to the Chief Officer Financial Services. Under the current arrangements some of the staff on these teams were working on projects to generate income, in addition to their procurement and contract management work.

A piece of work is underway on a Council wide basis to review how staff time is charged to projects. This review will involve staff beyond the PPPU and will seek to ensure there is a

consistency of approach to future charges to capital projects and other funded work.

## **6 Distribution of Project Resources**

The programme areas set out below are the ones against which it is proposed to allocate staff. It is acknowledged that there will be shifts in demand for work at times and therefore there needs to be a preparedness to keep numbers in different programmes under review and flexibly deploy. Staff, however, should be assured that they are being allocated to programmes of work of great importance, the priority of which is the best guarantee of job security.

### **Resources and Housing**

#### Low Carbon

The low carbon team is currently delivering district heating, the preparation for clean air plans, the decarbonisation of the council's fleet, the management of the White Rose contract, amongst other projects. It is proposed that this team is retained and reports directly to the Director of Resources and Housing, who is the Council lead for this area. This proposal was supported by staff in the consultation.

#### Housing Programme Team

The HRA business plan assumes £80m capital expenditure per annum and a £35m annual repair expenditure. Staff in PPPU have been working alongside colleagues in Housing for the last six months to deliver this programme. It is proposed to consolidate this arrangement, with staff located in the Property and Contracts Division. Additional staff are required to deliver this programme. This proposal was supported by many staff during the consultation. Some concerns were expressed that opportunities for professional development might be limited. This will be guarded against through the review of programmes.

#### HRA Growth Team

A number of PPPU staff have been working alongside colleagues in City Development and Housing to deliver the new council housing schemes. It is proposed that those staff, who are paid through the HRA, are assimilated onto the Housing structure but continue to be located in the growth team. This proposal was supported during the consultation.

#### Digital

The digital team is a well-defined team of ICT project managers. It is proposed that this group of staff are transferred to work alongside their colleagues in DIS. This proposal was supported during the consultation.

### **City Development**

Before considering the distribution of staff to a number of key programmes, the issue of the development of a stronger technical client within the Council needs to be addressed. The Council currently lacks a single team which provides technical input to ensure that specifications are properly drawn up and ensures that NPS are properly instructed and work effectively. There is a further role to ensure that major capital schemes are properly monitored. The roles are currently performed in City Development and PPPU but there is partial coverage. There is an opportunity to join the technical team together with colleagues in City Development to address this strategic weakness within Asset Management. Specific proposals are set out in the Senior Management Review – PPPU / Economic Development and Asset Management report.

With regard to the wider project resource, the following programmes are proposed within City Development.

### Changing the Workplace

The Changing the Workplace team has played a vital role in the rationalisation of buildings and working practices. The team is currently in the middle of the largest move by the Council in many years, back into the Merrion building. The project straddles cultural and HR issues, as well as ICT issues, whilst much of the work performed by the team relates to asset management and property. This team could be assimilated within City Development or remain in Resources and Housing but the balance of skills within the team points towards the former.

### School Places

Responsibility for the delivery of school places currently rests in three parts of the Council – Children’s Services, City Development and PPPU. There is an argument for the transfer of all resources to Children’s Services to ensure that they are in one place and reporting to the Director ultimately responsible for provision. Given, however, that the expertise regarding construction lies elsewhere in the Council, this isn’t favoured. Children’s Services should continue to determine need but an integrated delivery team would be better placed in City Development. This would have the added benefit of being able to flexibly deploy staff onto other capital projects, given that the flow of work is uneven across the year. (There is likely to be reduction in activity in this area next year, which will be addressed through a redistribution to work on the HRA, which has a secure funding base.)

### Regeneration and Transport

Very few PPPU staff are currently engaged in the delivery of the major transport and regeneration schemes that the Council is engaged in. The Leeds Living proposition, encompassing the residential redevelopment of the South Bank and wider city centre, HS2 and the delivery of the transport strategy are all under resourced. A number of staff have been allocated to this work and other staff will be aligned to such projects and to other significant pieces of work.

## **7 Consultation and Engagement**



- 7.1 The nature of the work of PPPU is such that it is linked to the majority of services the Council delivers. As such, the future operating model must take account of views from across the organisation and not just those of staff currently working in the Unit.
- 7.2 The initial proposal was developed following discussions at CLT and a series of workshops with staff within the unit and key stakeholders across the Council, which took place in September / October 2017. The proposal has also been shared with the appropriate Executive Members. Formal consultation with staff and Trade Union colleagues commenced in November 2017 and feedback was sought.
- 7.3 The trade unions issued a questionnaire to their members seeking views on the proposals. The feedback from Unison, Unite and UCATT indicates that the majority of their members are in agreement of the proposals to disband the Unit and realign the work programmes and staff into the Resources and Housing and City Development Directorates. Feedback from GMB indicates that although some members are supportive of the proposal; the majority of members are not and would like to consider alternative operating models.
- 7.4 Although some PPPU staff are not in agreement with the new proposed operating model there has been an overwhelming level of support from across the Council to disband the unit and weight has needed to be given to this view in deciding on the future direction
- 7.5 It is however worth noting the changes that have been made to the initial proposal following feedback from staff. Changes include:
- Reviewing and increasing the level of legal resource and capacity at JNC level within the Commercial Team;
  - Listening to views on where the Commercial Team is best placed within the Resources & Housing Directorate and moving line management responsibility from Legal Services to Finance
  - Responding to views on the Technical Client function and the establishment of a Head of Technical Client post
  - Seeking views from staff about proposed realignment to Directorate Teams
  - Listening to concerns about capacity issues in both procurement and housing.
- 7.6 During the consultation process concerns were raised by staff and Trade Union colleagues about the future of this operating model and associated job security. Integrating resources into Directorate Teams and aligning work programmes to the Council's top priorities is intended to offer more security than there is currently. Whilst no fixed guarantees can be given to any staff about future employment security the operating and financial model proposed in this report does provide staff with a more stability.
- 7.7 The current operating model has not protected staffing levels due in part to the need to deliver budget savings but also due to the requirement to bid to internal providers to secure work. In the past, a consequence of not securing sufficient work internally has resulted in the need to reduce staffing levels. Indeed, staffing levels have reduced by

circa 50 FTEs over recent years although it is acknowledged that some of this reduction was planned due to required budget savings. The need to bid for internal work will cease with this new model and as outlined above by better aligning staff to the Council's top priorities there will be greater job security than has been experienced in the past.

7.8 As part of the consultation process an FAQ document was produced and updated to respond to staff queries. A copy of this document is appended to this report.

7.9 Feedback has highlighted concerns about future professional development and the risk of being limited to working in specified niche areas. These are valid concerns and plans need to be adopted to avoid this becoming the case.

### Implementation Proposals

It is proposed to use the flexibility protocols to allocate NJC staff to areas of work, on existing grades and job descriptions. The Council will follow its agreed processes in implementing this change. The proposals will involve the development of a full implementation plan. Whilst it is the intention to give staff certainty as to where they will be working as soon as possible, it is proposed that a practical implementation date of 1<sup>st</sup> April is adopted. This will enable an orderly transition of projects and new arrangements for financing to be introduced.

The implementation process for the changes to leadership roles is outlined in a separate report.

## **8 Corporate Considerations**

## **9 Equality and diversity / cohesion and integration**

Due regard has been given to equality and diversity and a copy of the screening document can be found at appendix 2 to this report.

## **10 Council policies and best council plan**

This proposal provides an opportunity to integrate groups of staff into single teams with a united purpose to deliver against some of the biggest challenges facing the City and support the delivery of the Best Council Outcomes

## **11 Resources and value for money**

The 2018/19 budget reflects the allocation of the PPPU staff resource into the Directorates as outlined above. With respect to the ongoing funding a piece of work to allocate the appropriate income budgets to both Resources and Housing and City Development (from the Strategic and Central Accounts) is underway. A significant level of this income will be primarily derived from recharges to capital and charges to the HRA

A piece of work is underway on a Council wide basis to review how staff time is charged to capital projects. This will involve staff beyond the PPPU and will seek to ensure there is a consistency of approach to future charges to capital projects and other funded work.

The ability to focus on procurement and contract management should allow more focus towards the Council achieving increased value from future procurements. In the past year there has been marked increase in contract extensions as opposed to new procurements being undertaken (68 to 148), additional concentrated procurement resource can help improve this situation and help ensure the Council gets better value from its procurements.

## **12 Legal implications, access to information, and call-in**

The report is not subject to call-in.

## **13 Risk management**

There are potential risks with adopting the proposals set out in this report including the potential loss of key professional skills that have developed from having a dedicated centre of excellence; risk of procurement challenge, reduction in quality and timely outcomes; development of different Directorate based approaches and loss of flexibility in the deployment of resources. These risks will be mitigated by allocating key staff within deeper pools of technical expertise and an improved distribution of skills across the Council. An awareness of risk at senior management level will also help ensure that the potential downsides are avoided.

## **14 Recommendations**

The Director of Resources and Housing is recommended to approve the disbandment of PPPU and the realignment of resources into integrated teams within Directorates

## **15 Appendices**

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| Appendix 1 | Flexible Deployment Proposal                  |
| Appendix 2 | FAQs document                                 |
| Appendix 3 | Equality Impact Assessment Screening Document |