

Civic Enterprise Leeds Update

Date: 20 February 2023

Report of: Director of Resources

Report to: Strategy and Resources Scrutiny Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

At the start of the 2022/23 municipal year CEL moved to sit within the remit of the Strategy and Resources Scrutiny Board.

The purpose of this report is to provide Strategy and Resources Scrutiny Board with an introduction and update on Civic Enterprise Leeds (CEL) outlining its activities and key areas of focus along with its journey so far on its road to commercialisation.

Civic Enterprise Leeds sits within the Resources Directorate with a headcount of 3,496 and is comprised of the following services:

- Cleaning and Facilities Management
- Corporate Property Management
- Passenger Transport
- Catering
- Fleet Services
- Leeds Building Services

CEL has a total staffing budget of £69.5 million for the year 2021/21 and total staffing costs at year end were £66 million. It has a gross expenditure budget of £147.8 million and income budget of £141.2 million leaving a net managed budget of £6.6 million.

Recommendations

Members of Strategy and Resources Scrutiny Board are asked to note:

- a) The Services provided by Civic Enterprise Leeds and the key areas of focus for 22/24.
- b) The progress to date of the commercialisation and traded activities of the Service.

What is this report about?

The following provides an overview of the CEL service areas, with budget figures also included where relevant.

1. Effects of COVID Pandemic

Before the report goes into the detail of the make up of CEL it is important to reflect on the challenges that CEL faced through the last three years, the impact that COVID had on service delivery, and the key role that CEL and its staff played in keeping the city running.

Whilst many staff were able to work from home during the pandemic, the vast majority of CEL staff were needed to carry out their frontline roles. Schools were still open for the city's most vulnerable children, who needed to be transported by Passenger Transport, fed by Catering Leeds and the schools needed cleaning by Cleaning Services. Other vital roles had to be undertaken, such as the cleaning of care homes, Meals at Home Deliveries, Fire Safety Checks in flats, repairs in Council Houses and much more.

As well as carrying out business as usual activities through the pandemic, CEL's teams stepped up to deliver several other vital services to ensure the city was kept safe, many way beyond what would normally be expected including:

- Building a temporary Mortuary at Waterside
- Managing the PPE Hub facility
- Carrying out responsive COVID Cleans in LCC Buildings and Schools
- Seconded staff across to NHS PPE Hub
- Provided a shuttle bus service for LTHT staff
- Provide a Transport Service for Key Worker COVID testing
- Delivered over 132,000 free school meals to the city's most vulnerable at their homes
- Co-ordinated delivery of 13,000 Xmas Hampers to UFSM Families

This put a huge strain on the work force. Colleagues had to come into the workplace daily through the height of the pandemic with obvious concern and anxiety around transmission, which has had a knock on affect on our attendance, which in turn has affected productivity. Absence levels continue to be higher than pre covid, due to colleagues being absent through being COVID positive but also indirectly as the cumulative impact upon staff and management took its toll.

Lots of positive work has gone on in terms of support for staff and the services are beginning to recover. This year has been somewhat of a reset year addressing issues such as back logs of work, attendance, changing expectations and inflationary pressures.

Summary of Key Areas of CEL

2. Cleaning & Facilities Management (Including PRESTO Meals at Home-PRESTO at Home Services and School Crossing Patrol. and CPM (£37.5M))

Cleaning and Facilities Management (FM) deliver soft FM services

- This covers a range of services and includes: Cleaning, security, management of receptions, concierge services, caretaking, building inspections reporting of repairs, technical support, key holding and other vital building liaison duties such as room bookings and event management.
- Cleaning to communal areas of all HRA properties including daily Stage 1 Fire Safety Check Sheets

- A specialist Team delivers services such as Bin Chute unblocking, bulky item removal, fly tipping removal, corporate removals, HRA removals including emergencies, , void property and garden clearance/cleaning, window cleaning, corporate trade, and confidential waste removal.
- PRESTO at Home Services deliver over 450 hot meals a day 365 days a year to some of the City's most vulnerable and offered a home cleaning, companionship, window cleaning and gardening service.
- School Crossing Patrols (SCP) - Covers 59 school crossings managing the staff and surveying new requests for SCP service and carrying out annual reviews for eligibility.
- Schools Cleaning- provide an internal building cleaning to 85 schools across Leeds.
- Civic Flavour- Our in-house Events Caterer and Operates Cafes at Leisure Centres

Staffing

- We have a workforce headcount of 1,275 with 28 management and supervision staff.

Key Areas of Focus

- Bringing together of CPM and FM as part of the property review to deliver a consistent approach to FM across all council buildings
- Deliver the £1.6 million savings required in the budget
- Develop our traded welfare offer under the PRESTO banner
- Expand our commercialisation agenda
- Continue to deliver our insourcing agenda
- Develop our Café offer to be a centre of Excellence for Commercialisation
- Supporting staff to develop and progress to support financial inclusion strategy
- Support the Future Ways of Working Programme and asset rationalisation and modernisation.

Corporate Property Management – CPM

- CPM deliver responsive management and prioritisation of revenue maintenance and repairs to the corporate estate, management of cyclical servicing schedules and compliance with statutory building regulations as well as coordinating building condition and energy efficiency surveys.

Staffing

- 10 Staff in the wider team split across building surveyors, maintenance officers and support staff.

Key Areas of Focus

- Integrate CPM with FM to create a single point of contact for all hard and soft FM issues to reduce duplication and bureaucracy and creating efficiencies
- Support Asset Management with detailed intelligence on building conditions and spend to enable good decisions to be made on the asset rationalisation programme.
- Implement a new building inspection regime to give detailed information on building conditions to help make informed decisions on investment.

3. Passenger Transport (including mail room) (£20m)

- Passenger Transport operate a fleet of 198 specialist passenger transport vehicles from Westland Road and Management of 450 private hire routes per day, work streams include:

- Home to School Transport of SEND young people who qualify for transport assistance, can range from one-to-one transport to a place on a minibus with a majority of routes scheduled with Passenger Assistants.
- Independent Travel training to encourage and train young people to travel to school on public transport and increase their independence.
- Parental Travel Allowance, a scheme that delivers direct payments (where it delivers a saving) to families to organise their own transport arrangements.
- Provision of transport support for Children Looked After both home to school and other essential journeys.
- Post 16 Transport to Colleges.
- ASPIRE- Provision of home to day care setting for qualifying adults to Aspire settings and the provision of buses and drivers through the day to support activities.
- Adult Social Care transport provision to various centres cross the city for vulnerable adults.
- Mail room delivery service for the Council's corporate mail system

Staffing

- A total of 558 drivers and assistants with 26 management and supervision staff.

Key Areas of Focus

- Build on the excellent work delivered so far in reducing costs by £2million through a combination of insourcing, better contract management, smarter scheduling, and upping occupancy levels
- Reduce the costs of the most expensive one to one transport by smarter use of PTA's.
- Increased take up of independent travel training to promote independence
- Enhance customer experience through the use of our digital platform Response 365
- Managing the pressure on the budget and service that the increasing number of SEND passengers year on year is putting the service under

4. Catering Leeds (£19m)

Delivers welfare and commercial catering to:

- Schools – providing a fully managed school meals service. This includes planning menus, training staff, cooking and serving meals, developing, and marketing the service to all schools. Catering Leeds also offers catering provision for breakfast clubs, after school clubs and supporting the healthy eating curriculum in schools. We have 165 primary contracts and 2 high school contracts.
- Early Years – providing breakfasts, lunches and teas in nurseries including food and menus that are suitable for very young and weaning infants. We have 23 EYC contracts.
- Adult Social Care – providing a full 7-day catering services in Council residential homes and day centres. We have 12 contracts.

Staffing

- We have a workforce headcount of 1100 staff and 23 supervision and management staff.

Key Areas of focus:

- Meal numbers are now rising to pre pandemic levels but have previously been down by , around 25%. Consistent marketing of meals and promotion to parents takes place and

meal numbers are now at 30,000 per day which we hope will rise during colder months as is usually the case.

- We have had approval to procure an electronic solution within the service for the primary school meals side of the business. This is following several pilots, a business case developed in partnership with IDS, approval by FPG and approval from BCDT.
- We support the Heathy Holiday programme every half term and can send up to 1200 meals a day out to differing sites from our transport kitchen located at Cross Green.

5. Fleet Services (£12m)

Fleet Services provides fleet management and maintenance functions for the Council's 1300 mixed municipal fleet and has a regulatory role in ensuring compliance with Regulations and the Goods Vehicle Operator Licence and includes:

- Stores – holding maintenance and repair parts
- Fleet Deployment – managing the hire Framework Contract and client liaison
- Fleet Management – management of the procurement and disposal of fleet, servicing, and MOT schedule. Regulation of O Licence, Licence Mandate Checks, management of traffic offences and fuel management
- Fleet Maintenance – servicing, routine planned and reactive works, light and large goods vehicle MOT

Fleet Services have one of the largest EV Fleets in the UK, 358 EV's that's 24% of the entire Fleet are EV, all future Fleet considerations are focusing on EV and we are about to place an order for 3 EV Refuse Collection vehicles.

Key Areas of Focus:

- Currently undergoing a restructure of staffing at all levels.
- Focus on future fleet planning and 2030 targets
- Training programmes for engineers to develop skills which will meet future vehicle demands, e.g., electric and hydrogen

Staffing:

- 55 operatives / office staff and 5 management and supervision staff.

6. Leeds Building Services (£72m)

- LBS is the Council's internal service provider for building related activity which operates as a traded service funded through income (approx. £72m), generating a net surplus (approx. £10.5m)
- LBS currently has approximately 590 staff (150 back-office staff, 400 operatives and 40 apprentices) and delivers a full array of building services/trades for services across the council from minor housing repairs to multi-million-pound refurbishments.
- The service has just concluded a service review where a new structure has been implemented with the last few vacancies just being filled. It is divided into separate business units, summarised below along with the budget for each unit.

Responsive Repairs & Voids (RR&V): (£27m)

- Delivering more than 100,000 property repairs (of all trades) per year to approximately 32,000 Housing properties in the South & East of the city although some work is also undertaken for Adult Social Care, Commercial Asset Management, Corporate Property Management and Sanctuary.

- The scope of work includes providing 24/7 response and covers everything from minor repairs through to larger refurbishment works e.g. following fire damage.
- Approximately 2,000 voids per year are also delivered which includes the full schedule of work through to handover to tenant on final fix.

Key Area of Focus:

- Over the last 12 months the service has undergone significant change with various major projects being run simultaneously including the South repairs and voids contract being in-sourced, implementation of a new IT system and the service review.
- The priority for this team is to bring some stabilisation and develop and implement more robust operational processes which provide better outcomes for customers and in turn improve customer satisfaction.
- Productivity is another key area for this unit as it has a large proportion of the direct labour workforce. The new IT system needs to be developed to enable better reporting and a significant amount of work is planned with operatives to ensure better capturing of time and measured outputs (SOR's and SMV's).

Mechanical & Electrical (M&E) (£14m)

- The M&E section is made up of specialist trades delivering a vast array of services and is also responsible for the statutory and legislative activities delivered by LBS. Within the service review we have aligned some electrical resources to the planned section, but the M&E Senior Service Manager has retained overall responsibility for the compliance of all M&E activity. A summary of each of the teams is provided below:
- Electrical - The Electrical team within M&E deliver the cyclical and specialist repairs undertaking approximately 25,000 jobs per annum. The work includes much of the statutory compliance servicing activities, repairs and installations to the Councils estate including but not limited to Electrical Inspections, Security Alarms, Fire Alarms, Communal Lighting, CCTV, Data/Networks, Door Entry Systems, Catering Equipment, White Goods and PAT testing.
- Heating - The heating team undertake approx. 8,500 jobs per annum. The work includes Gas servicing, repairs and installation work to the council's estate including Housing, CPM and Schools. The work includes all heating and water related activities such as commercial plumbing, air-conditioning, ventilation, and water management (Legionella risk assessments and monitoring).
- Lifts - The lifts team undertake approx. 6,500 jobs per annum. The work includes the servicing and repairs of high-rise lifts and stair lifts. The portfolio includes lifts in all council buildings and housing properties including high-rise and low-rise blocks. The team also oversee the delivery of the Housing lift replacement programme.
- Workshop – The workshop team undertake approx. 2,000 jobs per annum. The work includes a workshop based at Seacroft which allows for fabrication, repairs and installation of metalwork including gates, fencing, handrails, screens, and barriers.

Key Area of Focus:

- As with repairs and voids the insourcing of the South provided growth in this section with the cyclical activities that transferred across – predominantly periodic inspections.
- The volume of compliance activity undertaken by the M&E team is challenging and the teams focus is to ensure the risk to the council is minimised by delivering performance excellence. The team are developing an increased focus on performance and reporting which will provide a platform from which to identify further service improvements and efficiencies.
- With the future of building services changing more towards renewable technologies the service is working on a resource and training plan to ensure the service can provide the skills required.

Planned Works: (£28m)

- The Planned Works Section delivers a range of capital schemes for Housing, CPM, Schools, and other council directorates as work is identified. The work is extremely diverse and changes year on year which makes planning resources and delivery very difficult. As part of the service review some electrical resources were aligned to the planned section to provide closer working on larger schemes and consistency of approach.
- The current programme of work within the planned section is outlined below:
- Kitchen, Bathroom and Rewires - Delivering kitchen and bathroom replacements to approximately 600 properties per annum with a turnover in the region of £3m
- Roofing replacements - Undertaking roofing replacements to approximately 125 properties per annum with a turnover in the region of £1m
- Painting - Undertaking external painting works to windows, doors, gutters, fascia's and soffits of 3,000 properties per annum with a turnover in the region of £1.6m
- Sprinkler Installations – Carrying out sprinkler installations to approximately 6 high-Rise blocks per annum with a turnover in the region of £3.5m
- Adaptations – Undertaking the range of adaptations to approx. 650 council housing properties per annum including wet floor showers, handrails, ramps, showers, and property alterations with a turnover in the region of £4m
- CPM Backlog Maintenance – the CPM backlog maintenance programme is approximately £3m per annum and consists of a wide variety of improvement works to the council's civic estate including windows, doors, roofing, heating, electrical, fire safety works, and general refurbishment works.
- CPM Repairs/Capital work – Undertaking a repair/improvement service for the council's civic estate and consisting of a full range of building services dependant on demand with an annual turnover in the region of £2m.
- Demolition - Overseeing the demolition of council properties deemed surplus to requirements. The volume fluctuates by demand however turnover is approx. £800k per annum.
- Flooring - The flooring team deliver approximately £1m of flooring work per annum. The work consists of tiling, carpet and specialist flooring to the council property estate including CPM, Housing, and schools.
- Fire Safety – Delivering various schemes of fire safety work to housing properties with a value of approx. £2m per annum.
- Projects – Various ad-hoc commissioned work which differs year on year. This year's programme includes schemes such as Cross Gates Hub, Door Access/Controls systems to Civic Hall, Wykebeck Improvements, Spring Gardens HOP, Acorn Lodge, LED Lighting Schemes (De-carb), Libraries, Gyms, Museums etc. the value is forecast in the region of £6.1m per annum.

Key Area of Focus:

- Resource planning and certainty around the future work pipeline are two main priorities for the planned works section to ensure that sufficient work is allocated to enable resources to be fully productive and support LBS in meeting its challenging financial plan.
- The financial forecasting and commercial management are another key area to ensure that best value is being provided for the Council. This is to be supported by the commercial team which has been subject to investment by the recruitment of QS resources.

H&S/Asbestos/Support Services (£3m)

- The H&S, Asbestos and Support section is designed to provide required support to the operational teams and provides business administration, Communications, HR process support, invoicing processing, staff welfare process, reception duties.
- The H&S team assist with ensuring compliance with relevant legislations, develop risk assessments and produce construction phase plans amongst other things.
- The asbestos team has been aligned to the Health & Safety section as it is extremely closely aligned to H&S and pre-construction activity. The team undertake over 6,000 jobs per annum with a turnover in the region of £3m. The work includes asbestos surveys, re-inspections and removals across the council estate including Housing, CPM and Schools.

Key Area of Focus:

- Ensuring the service is fully compliant with H&S legislation and that staff are safe and ensuring the business has efficient and effective processes in place to support operational delivery.

Commercial and Projects

- The Commercial & Projects section provides specialist support activity on complex and key operational & strategic objectives.
- Commercial – The commercial team provide commercial support and challenge to the business units, and this sits separately to ensure segregation of duties. They lead on all commercial activity such as agreeing rates with contractors, producing final accounts, submitting, and evaluating tenders and estimating work. They also provide guidance and activity on the vast array of procurement activity undertaken within LBS. They work closely with Colleagues in PACS but handle the volume within the service and provide the liaison between 3rd parties, other services, and the operational teams.
- Projects – The project team provide project disciplines to the key operational & strategic activity including service improvement and data analysis. For example, the team are currently supporting on the materials re-procurement which is a huge undertaking as it changes how and where our staff can purchase materials.

Key Area of Focus:

- Ensuring the service is complaint with Council processes and policies and that suitable and proportionate commercial controls and rigour is in place. This activity will feed into the decision-making process on all matters relating to the service.

7. CEL 2022/23 Budget

- CEL has a net 2022/23 budget of £6.9m but the scale of the operation becomes apparent when considering that the division has a gross expenditure budget of £146.3m and an income budget of £139.4m. Of the expenditure budget, just over 47% of this is comprised of staffing budgets of £68.9m which represents 2,248 FTEs. Of the £139.4m budgeted turnover, approximately £120.6m is generated through the different trading functions and delivery of services to other Council Directorates, the HRA, schools and members of the public.

Key area of Focus:

- Delivery of the 22/23 Budget Action Plan, £2.6m is built into the budget base for each service. Over and above this we need to also manage the proposed pay award pressure of £2.3m (after allowing for current staff savings and where we can passport increases).

Finally, all our services are subject to inflationary pressures as in the wider economy with the latest CPI at 10.5% which we are trying to manage through reviewing scope for efficiencies and investigating the potential to increase our charges where circumstances allow.

8. Commercialisation

Insourcing

- Civic Enterprise Leeds are always looking at opportunities to insource services and to also grow our traded offer with other external organisations.
- Several services have been successfully insourced and although the ambition is to expand the number of in-house services, there is not a 'one size fits all' approach that can be taken. There needs to be a mix of public and private provision to spread the risk of finance and service delivery.
- Within CEL, their roots go back to compulsory competitive tendering days and the idea of competition continues to drive the approach in catering and cleaning. Though challenging, it has forced the services to be lean, competitive, and helped them deliver the skills they need to remain competitive in the market. They also carry out several benchmarking exercises on cost and productivity.

Examples of CEL services successfully delivered in-house include:

Multi-Storey Flat bin chute clearance

- This was outsourced several years ago and is critical in terms of keeping tenants safe if there is a fire. Private companies were struggling to deliver the service as it requires the support of several Council departments (Housing, Refuse and CEL) and so it was considered beneficial to bring this back in-house in 2017 given the internal communications and relationships we have between services.
- Additionally, the unit costs were lower as we could package with teams already on-site doing other work, reducing travel time. This meant in-house services were 25% cheaper (our charge out rates are around £70 compared to Private Contractor at £100) and KPIs were better as we were able to cut through the issues private providers faced.

Office confidential waste and general waste

- Both services have been in-sourced over the past two years and have both been delivered more cheaply than before. We have more flexibility for example only emptying bins when they need emptying. We also already had the vehicles and equipment.
- The advantage of these contracts is beginning to be felt now as we are also insulated from any cost increases a private provider may have passed on.

Window cleaning

- This was in-sourced in 2016 with the rationale that we would be able to flex the specification (cleaning when required rather than to a specified frequency) and upskill staff. Generally, it was only the bigger, national companies who could meet our specification and therefore you end up paying for their overheads too; but we are now 16% cheaper overall. For example, the cost of cleaning the windows of the Civic Hall used to be £900 when outsourced and it is now £600. This includes a level of return to the centre, thereby helping the council's overall budget.
- We have also been successful in tendering this work for example in Doncaster, Barnsley and South Yorkshire Fire and Rescue, and to homeowners through our Presto service.

Passenger Transport

- In the last 2 years we have made around £2m of savings, in part through insourcing the most expensive private hire routes. There is a need to be cautious and not change the balance too much as it would damage our relationship with the private sector, who were very helpful throughout the pandemic when we had fewer staff. The principle is collaboration not competition with companies in Leeds.

Bench Marking Examples

Table 1

Area	Inhouse Costs	Private Contractor Cost
Passenger Transport- 15 Seat WAV- Average Run	£1,130 pw	£1285 pw
Window Cleaning (Civic Hall)	£600 per occasion	£900 per occasion
MSF Chute Clearance	£70 per occasion	£100 per occasion
Confidential Waste Disposal	£45,000 pa	£56,000 pa
Building Trade Waste Removal/Disposal	£165,000	£245,000

Our Traded Offer

- CEL under its various names has always traded its services mainly catering and cleaning as schools have had devolved budgets and been able to determine themselves how they deliver the service, either in house or engaging an external contractor, cleaning in over 80 schools with an income of £3 million and catering in 167 schools with an income of £13,804,260. All this work must be won and retained against stiff competition from the private sector.
- More recently CEL have used that knowledge and experience of charging and trading to play a more active role in tendering for external work. We have strong Unique Selling Point (USP) which we have promoted, whilst we trade our services to bring in income, we do this in an ethical way and within the values of the Council and to benefit the city not just in bringing in income but creating employment with excellent terms and conditions.
- The initial focus of our marketing and tendering activity has been around organisations which share our values, such as other neighbouring authorities, third sector organisations and other public sector services in Leeds Such as Leeds Teaching Hospital Trust and Yorkshire Housing.
- This targeted approach has been extremely successful, our blend of offering a quality service at a competitive price whilst retaining our Public Sector morals and ethics has put us in excellent stead whilst tendering for work which has been evaluated across a blend of quality, price and social value and we are currently delivering traded services to the organisations below.

Table 2

Client	Service
Unity Property Services	Cleaning and Window Cleaning
Unison	Cleaning
Path Yorkshire	Cleaning
Leeds City Credit Union	Cleaning
Moor Allerton Elderly Age	Cleaning
St Ledger Homes Doncaster	Window Cleaning
UTC Leeds	Cleaning
South Yorks Fire and Rescue	Window Cleaning
Leeds Teaching Hospital Trust	Collections & Deliveries
Sheffield City Council	Cleaning
Barnsley Council	Window Cleaning

Presto Services

- As we actively market and expand our PRESTO services this area of the business continues to grow, it offers several services to homeowners to enable them to continue to live independently in their home such as Meals at Home, providing a hot meal deliver with welfare check 365 days of the year, a companion service, window cleaning and gardening. Trading in these areas is difficult as we are often competing with single owner/operators who have little over heads, but the business is growing steadily as many of our customers appreciate the peace of mind and assurance, they get that we are the Council and are accountable in an industry where there are high numbers of rogue traders operating.
- We have seen significant growth in business in this area from customers who don't have any independent/support issues, but have busy lives and who want a reliable, ethical, and accountable organisation to carry out work in and around their home.

Table 3

Area	Annual Income
PRESTO Cleaning	£106,000
PRESTO Companions	£188,000
PRESTO Window Cleaning	£5,000
PRESTO Gardening	£406,000
PRESTO Meals at Home	£800,000

Other Areas of Trading

- We are actively trading in other areas of the business, trading with members of the public operating cafes within leisure centres and the Private MOT line at Fleet Services. Income and levels of business in these areas was severely affected by COVID and Lock Downs and in effect we are starting the business up again from scratch, but income is building back up and we are embarking on an exciting project at Yeadon Tarn to open a new food and drink outlet with the ambition to turn this in a centre of excellence for public sector commercialisation.

Table 4

Area	Annual Income
Civic Flavour	£185,000
John Charles Café/Events	£166,000
Armley LC Cafe	£26,000 (new venture started part year)
Aireborough LC Cafe	£40,000
Fleet Services MOT Line	£11,000

Career Pathways

CEL see further benefits of trading and commercialisation other than bringing in income or saving on expenditure. TUPE often applies in these areas and staff transfer in on their old Terms and Conditions, in most cases these are vastly inferior to the Council's T&C's, often in these types of industries it is the National Living wage with basic pensions and statutory sick pay. Whilst we TUPE staff in we always consult with the immediately to bring them on to LCC T&C's (we ensure that prices we submit will cover these additional costs), we see trading and insourcing a way of levelling up pay inequalities across the city in traditionally low paid areas.

These colleagues have generally had little access to training and development, in CEL we pride ourselves in our training and development offer for all our staff. Our ambition is for all our staff to have training and development and access to progression opportunities and use our entry level positions as a feeding stream to progress staff through the organisation both within CEL and beyond. A prime example of this is within Facilities Management where cleaning and caretaking staff are encouraged to progress through our Front of House roles and beyond.

9. Barriers to Insourcing and Commercialisation

- Whilst we are always looking at opportunities to insource and trade, we recognise that there are risks around being 100% reliant on in house services and that it can be prudent to spread the level of risk and that also in some areas it is just too difficult to compete, and insourcing isn't always the best option for value for money.
- Areas where we would struggle to insource further include:
- Civic Catering – on the commercial side, there are a lot of events that are out of hours and our terms and conditions would mean higher rates of pay and so it is almost impossible for us to be competitive in these situations.
- Specialist services such as sanitary bins – there are high set-up costs, and this is an area of specialised waste removal. Private firms are already very strong in this area with economies of scale so it would not make sense for us to look in areas such as this.

There are several Key Elements which make it difficult to trade in some areas:

- **Enhancements** – these are at the heart of industrial relations and cover issues such as double pay at weekends or time and a half at other times. The Local Authority is most competitive Monday-Friday 9-17:00 due to these weekend and other hours commitments. Outside these core times, it's harder to be competitive.
- **Other Terms and Conditions** – entitlements to pensions, absence conditions (e.g. sick pay). Whilst this is part of our unique selling point whilst trading, we do need to recognise that the stark cost differences between our own and competitors Terms and Conditions. We

are proud of the terms and conditions that we offer and recognise the benefits this brings to our staff and the city but also recognise that this inhibits our ability to compete in certain sectors.

- **Productivity** – some of our practices make it difficult to deliver as efficiently as possible. As an example, whilst the use of routing technology has increased, it is still not utilised fully to issue and track jobs to allow smarter dispatch to increase productivity.

10. Procurement

- Our front-line services are operating in a competitive market and many private organisations deliver similar services and often some of their value/commercial advantage is in the procurement of their supply chain. Within the Council however we are required to comply with Public Procurement Regulations, and these are a barrier in some situations as they don't provide front line services much flexibility and ability to negotiate is very limited which means we are sometimes not able to get best value.
- We are working closely with colleagues across the Council to try and find ways to encourage engagement with SME's and have recently amended the CPRs to enable services to create a pre-approved list in some cases which will provide some flexibility but the success of this needs to be tested as the changes have just been made.
- In addition to the above the procurement process often ties companies into a fixed/set price, often for the life of the contract. This puts the risk onto the supply chain which in some cases is a sound commercial position however, due to recent cost increases being so high companies are building in this risk meaning much higher prices and on occasion the risk puts companies off tendering altogether. To find a way round this and encourage as much competition as possible we have tried a variety of mechanisms including building in set increases linked to different indices to give tenderers comfort that they are protected from inflationary pressures. On a recent exercise we applied this to the contracts with a set period of the start of year 3, 5 and 7 on a 4+4 contract.

11. Conclusion

- CEL remains in a strong position in its traded and commercial activities and is a prime example of operating as an ethical in-house contractor. It is the intention to carry on with expansion plans and work with other parts of the Council to overcome some of the prevention barriers. It does recognise however that there is not a one size fits all approach to insourcing and often a blended mix of public, private service delivery works well and helps the Authority spread the risk in terms of both finance and service delivery.

What impact will this proposal have?

12. This report provides scrutiny with an initial opportunity to consider the services provided by Civic Enterprise Leeds and identify areas that could be focused on in more detail in future work items.
13. The Council's scrutiny function is keen to add value and this introductory report following the change in the Board's remit to include CEL, offers an opportunity to do that where appropriate.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

14. Given the scope of CEL and the variety of services it provides its work clearly impacts on all three of the Best City Ambition key pillars.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

15. Consultation has taken place with the chair of the Scrutiny in the preparation of this report.

What are the resource implications?

16. This is an update report to scrutiny there are no specific resource implications. Budget and income levels are provided where appropriate.

What are the key risks and how are they being managed?

17. This is an update report to scrutiny there are no specific risks associated with it. Risk management measures will be carried out by CEL as part of their service activity.

What are the legal implications?

18. There are no specific legal implications.

Options, timescales and measuring success

What other options were considered?

19. N/A

How will success be measured?

20. N/A

What is the timetable and who will be responsible for implementation?

21. N/A

Appendices

- There are no appendices to this report

Background papers

- None