

CABINET

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PROPOSED CCTV SERVICES PARTNERSHIP

Portfolio Holder: Councillor Mike O'Brien, Community Safety and Customer Contact

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Summary

This report sets out proposals to establish a CCTV Services Partnership involving Medway, Swale, Maidstone and Gravesham Councils.

1. Budget and Policy Framework

- 1.1 Medway Council's CCTV service sits within Safer Communities and appears in the Community Safety Partnership Plan 2009-2012 (Priority 4: Reducing Night Time Economy Related Crime and Disorder), which forms part of the Council's Policy Framework.
- 1.2 The timescales for the implementation of a Partnership have been provisionally agreed at 1 June 2012.

2. Background

- 2.1 Medway Control Centre (MCC) has been operating since 1998. In its early days it monitored the CCTV for the former City of Rochester Council with approximately 20 cameras. As time progressed, MCC has expanded its CCTV network substantially and now operates a network of approximately 550 cameras.
- 2.2 In 2010 a major contract was won by Medway Council for the complete management of Swale Borough Council's (SBC) CCTV infrastructure. Outsourcing of this service has resulted in clear efficiencies and economical benefits for both SBC and MCC. However, it has become apparent that the contractual arrangement is not suited to the nature of a local government establishment, nor does it give MCC a sustained competitive advantage in times of increasing fiscal tightening.

- 2.3 More recently in September 2011 it was agreed by Gravesham Borough Council to transfer over their CCTV infrastructure to MCC. This was an executive decision made by Councillor Andrea Webb (of Gravesham Council) on 8 September 2011, following initial consideration by the Community and Environment Committee on 5 September 2011. Shortly after this in December 2011 MCC was awarded the Maidstone Borough Council's tender to manage their CCTV infrastructure. The transfer of both CCTV infrastructures is due to be completed on 1 April 2012 and will see the network expand from approximately 550 cameras to 700.
- 2.4 In securing similar ventures, and to meet the aspirations of operating a North and Mid Kent control centre, it has become evident that a new business model that re-engineers processes and reconfigures the industry is needed.

3. Limitations of the current arrangement for sharing services

- 3.1 As set out in paragraph 2.2, this contract has enabled MCC to benefit from economies of scale, which has in turn sustained the service. However, this will not sustain the service in the long-term as it is a capital-intensive industry within a budget-restricted climate. The combination of these two factors have seen two neighbouring authorities in Kent approach MCC to outsource their CCTV functions, with the alternative being to operate a reduced service or no longer provide the service. Compounding this, the competitive landscape is evolving with new entrants in the market such as Siemens and more recently local shopping centres, which means that there is no longer a guarantee that MCC will be awarded similar contracts through competitive tendering. As a result, efficiency gains through further economies of scale from managing other Local Authority CCTV could become restricted with the consequence of MCC being faced with a 'make or buy' decision of its own.
- 3.2 MCC are continually looking to improve process quality, fine tune delivery systems and deliver improvements in cost and performance. As MCC are a single entity, the improvements in costs are limited as buyer and supplier power is relatively low. Furthermore, in the absence of an agreed and shared business plan future improvements are the sole responsibility of MCC. Although there is a high level of knowledge and experience within MCC, crucial knowledge could be missed though not pooling together expertise.
- 3.3 MCC holds contract-monitoring meetings with SBC on a monthly basis. This allows both parties to frequently exchange data on performance and operational intelligence. Although this relationship works well, it does have its limitations. In the absence of governance structures the relationship between the two authorities becomes less transparent, which results in being less responsive to a wide range of stakeholders.
- 3.4 In a contractual arrangement the majority of risks are transferred from SBC to MCC. Risk mitigation can be resource intensive and have financial implications.
- 3.5 The revenue charges are fixed within the contract with SBC. If other Local Authorities wished to outsource their CCTV functions to MCC the saving in overheads would not necessarily be apportioned equally amongst all Local Authorities.

4. Proposed CCTV Services Partnership

- 4.1 The public spending cuts have placed pressures on local authorities to radically change the ways in which they operate. Medway Council must make cost savings whilst improving the level of service. MCC has the specialist expertise and ambition to lead on radical changes and therefore propose a change in delivery in order for MCC to successfully enter into a new market and share the gain with our neighbouring authorities. This change is to introduce a **Partnership model** within MCC that other local authorities can delegate their service in to. In developing such a model, MCC will be relatively free from commercial concern, such as generating profits and competitive tendering, which we were subjected to in the SBC's commercial arrangement and recently subjected to in MBC's tendering process.
- 4.2 MCC wish to exercise their power under the Local Government Act 1972, Local Government Act 2000 and Localism Act 2011 to establish and participate in a Partnership, which shall have Terms of Reference (ToR) and conduct its business in accordance with the Executive Board as outlined in an underpinning Memorandum of Agreement (MoA). The Partnership is not a company; it will effectively be a joint contractual arrangement, initially between four councils (Medway Council, SBC, MBC and GBC). Once established, Medway Council will act as the Host Council whereby all other Councils wishing to join into the Partnership Arrangement will transfer delivery of their CCTV functions to MCC. As a Host Council, MCC will have delegated authority for the running of the service and as such will be responsible for the employment of staff, procurement of goods and services and other responsibilities outlined in the agreement. The Partnership will be managed through the Executive Board, which is made up of the Head of the partnership, local authority representatives and representatives from the private sector, if appropriate. Elected members (portfolio holders) will be informed of the activities of the Partnership on a six monthly basis (unless deemed more frequent). Any decisions that need to go through the decision making process will follow each individual Council's decision making procedure.
- 4.3 This partnership model is based on the legal framework of the existing and successful Building Control Services Partnership (STG Building Control), although it is not proposed to set up a formal joint committee in this instance.
- 4.4 The following approach will be taken:
- 4.4.1 A robust project management structure will be established and pursued
- 4.4.2 A Steering Group comprising of management from each of the four authorities will be formed to give overall direction, management and approval to the Working Groups. The Working Groups will be made up of three different teams including HR, Legal and Finance. The appointed representatives will also liaise with their respective Members, as and when necessary.
- 4.5 Progress to date:
- 4.5.1 An initial meeting with the representatives from each of the four local authorities have met and agreed timescales, draft heads of terms and project approach.

4.5.2 Initial contact has been made with the union representatives, who were positive about the Partnership. Discussions will continue on a regular basis throughout the process. Medway CCTV Services' staff are supportive of the Partnership.

5. Legal Agreement and Governance

5.1 A Memorandum of Understanding (MoU) will be drafted setting out the proposed framework of the Partnership. This document is not legally binding but enables the partnership's objectives and key legal and organisational aspects to be captured for discussion and development. Once agreement on this has been reached it will be further expanded and converted into a Memorandum of Agreement (MoA), which will be legally binding. This will then be the overriding framework for the Partnership. The Partnership will be governed by this Agreement.

Management Structure and HR

5.2 Under the new partnership it is proposed that a qualified officer is appointed by the Host Council as Head of CCTV for the Partnership. This person will have overall responsibility for managing the Partnership, ensuring that it delivers against its contractual obligations. This role will not only be responsible for ensuring the quality of service is maintained and improved, but with the introduction of the Partnership they will also be integral in driving the service forward; strategically planning for future developments within the industry. This will be documented in a draft business plan that outlines clear aims and objectives of the Partnership, along with a robust governance structure to ensure that the most appropriate people are brought on board and a communication plan to ensure there is a rapport with all key stakeholders. The Head of CCTV for the Partnership will also be responsible for providing the board with a summary of the financial position against the budget of the service, highlighting any variances.

5.3 As part of the migration projects, Gravesham Borough Council and Maidstone Borough Council staff are in the process of being transferred in accordance with TUPE (Transfer of Undertakings Protection of Employment Regulations 2006) to Medway (the host council), which will ensure their terms and conditions of employment are protected.

5.4 As the hosting council will be at Medway, it is envisaged that Medway's HR team will provide the HR function on behalf of the partnership.

Finance

5.5 As the hosting council will be at Medway, it is envisaged that Medway's finance team will provide the finance function on behalf of the partnership. They will assist in budget preparation, budget monitoring and support in business planning. The Partnership will be allocated a cost centre within the current accountancy system and staff member would be trained in its use accordingly.

5.6 The Partnership will be required to prepare monthly revenue accounts in line with current processes at Medway.

- 5.7 Payroll and payments would be processed by Medway payroll and creditor teams respectively. Medway Council accounting policies will be adopted.
- 5.8 Proportions will need to be agreed within the Memorandum of Agreement on sharing of any possible future liabilities
- 5.9 Further financial information can be found in section 10.

Risk Management

- 5.10 A detailed analysis of risks will be carried out and the required action to address each one will be identified. Regular reviews of the Risk Register will take place and revisions made as required during the implementation phase should approval be given for the proposals to proceed.

6. Options

- 6.1 Approve the formation of the proposed CCTV Services Partnership.
- 6.2 Decline the formation of a CCTV Services' Partnership, which may result in losing contracts. This could have a detrimental effect on the Council in relation to reputation and also reduce income-generating opportunities (see risks).

7. Advice and analysis

- 7.1 In conclusion, the partnership model is a very attractive option in times of fiscal tightening. As well as immediate financial benefits, the partnership model will enhance expertise and build greater capacity, which will in turn provide a more robust and resilient delivery of a critical service that demands high standards. Furthermore, the model provides a platform for greater transparency and clearer responsibility for service delivery through vigorous governance structures, making CCTV responsive to a wide range of stakeholders. In a hypercompetitive market, the partnership model will also transform MCC from an oligopoly to a monopoly that is protected by high barriers to entry.
- 7.2 Officers advise that this model is taken forward to embed a sustainable long-term commitment to service improvement and provide value for money (core value).
- 7.3 The Outline Business Case, together with detailed financial implications, partnership structure and provisional Heads of Terms are set out in an Exempt Appendix.

8. Risk Management

Risk	Description	Action to avoid or mitigate risk
The partnership model to be rejected by Medway Council	<p>Description of Risk: Lose future contracts for the management of CCTV infrastructures on behalf of neighbouring authorities.</p> <p>Consequence: MCC are unable to sustain the service.</p> <p>This risk is C2</p>	To involve stakeholders in building and realising the business case to deliver significant benefits
Medway Council's reputation is put into dispute	<p>Description of Risk: All Local Authorities seeking to outsource their CCTV infrastructure to MCC are specifying that a partnership arrangement be put in place. Their preferred choice is MCC.</p> <p>Consequence: Bad press and termination of SBC SLA.</p> <p>This risk is B2</p>	To involve stakeholders in building and realising the business case to deliver significant benefits
Partnership working	<p>Description of Risk: Jeopardises existing partnership relationships with neighbouring authorities</p> <p>Consequence: Relationship with partners may deteriorate and deter authorities from entering into MCC commercial ventures, such as lone worker solutions and out-of hours. This will have significant financial implications</p> <p>This risk is C3</p>	To involve stakeholders in building and realising the business case to deliver significant benefits

9. Consultation

- 9.1 SBC, MBC and GBC have realised the benefits of entering into a partnership arrangement with MCC and are keen to form a partnership, as opposed to a rigid contractual arrangement. There has been early consultation with the trade unions and staff.

10. Financial and legal implications

- 10.1 There will be minimal financial implications for MCC in setting up the Partnership. MCC envisage that there will be two charges – management costs and legal costs. These will be kept to a minimum through replicating the STG partnership legal framework that is already in place between Medway Council, SBC and GBC (other than establishing a formal joint committee).

With the establishment of the Partnership, it will allow for a seamless transfer for other Local Authorities looking to outsource their CCTV service. This will result in Medway and its current CCTV partners to achieve further financial gains (e.g. further reductions in mgt costs and other overheads)

- 10.2 The Partnership will be underpinned by a MoA, as set out in paragraph 4 of the report. MCC envisage that the Partnership will not be dissimilar to the existing STG partnership's legal framework and as such are in discussions with Legal to replicate the STG MoA.
- 10.3 Within the MoA it will be stipulated that if any partner leaves the partnership and continues to provide services staff may TUPE to them, but if not, the leaving partner will indemnify Medway Council against any redundancy costs related to the staffing levels attributed to the work undertaken in their area.
- 10.4 Detailed financial modelling of both set-up and ongoing costs, and their funding by the partners, will need to be undertaken and agreed prior to finalising of the MoA.

11. Recommendations

- 11.1 That Cabinet approve the proposals for the proposed CCTV Services Partnership between Medway, Swale, Maidstone and Gravesham Councils.
- 11.2 That Cabinet authorise the Director of Regeneration, Community and Culture, in consultation with the Portfolio Holder for Community Safety and Customer Contact, to take all necessary actions to enable the proposal for the Partnership, including all necessary legal agreements, to be finalised and implemented by 1 June 2012.

12. Suggested reasons for decision(s)

- 12.1 The proposed Partnership will enable the provision of improved and more cost effective CCTV services.

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Background papers

CIPFA (2010) *Sharing the Gain: Collaborating for Cost Effectiveness*