

11. CHANGE PROPOSAL – SUBMISSION FROM CITY CARE LIMITED TO ACQUIRE THE FUNCTIONS OF THE PROPOSED CITY MAINTENANCE UNIT

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Corporate Plan Output:	

The purpose of this report is to recommend that the Council set up an Establishment Unit, as required under the Local Government Act, to progress the alternative proposal received to transfer the proposed functions of the City Maintenance Unit to City Care Limited and to make final recommendations for adoption by the Council after consideration of all the options and issues.

BACKGROUND

As part of the response to the Orion review of Water Supply and Liquid Waste, staff developed a comprehensive change proposal covering significant areas of Council operations. A subset of the proposal was to set up a City Maintenance Unit incorporating the Building Services team, the pump and mechanical maintenance operations of the Waste and Water Units, and the QEII building maintenance team. During the consultation process a submission was received from the Council wholly owned subsidiary company, City Care Limited, that they acquire these functions and contract services back to Council business units.

The City Care proposal has significant merit in that the synergies and efficiencies expected from the City Maintenance proposal will still be achieved but City Care Limited have also offered to take staff we identified as surplus (13 people) as part of their proposal. They believe that the large diverse nature of their business will enable them to offer positions to the people surplus to Council requirements and to re-deploy them in other areas of their business until such time as they have grown the operations to be transferred to a level that the additional resources will be required.

Several meetings have been held with the staff affected, their union representatives and the key Council corporate and Unit representatives responsible for the change process issues. The general consensus is that the advantages of the City Maintenance Unit proposal can be achieved, and significantly added to, by ensuring fewer job losses for Council staff, and by City Care Limited gaining skills to enable them to target and access work in areas outside CCC operations.

LEGAL FRAMEWORK

With regard to this report, it is important to appreciate that there are effectively two separate processes involved:

- (a) a “due consideration” of advantages and disadvantages under section 247D of the Local Government Act 1974. The purpose of this report is to enable this “due consideration” and
- (b) the statutory process under Part XXXIVA of the Local Government Act 1974 with the appointment and work of an establishment unit if the Council decides to transfer the identified operations to City Care Limited.

The work to date has involved (a) only.

The legal basis of the change proposal teams work is found in section 247D of the Local Government Act 1974, which provides in part:

- (1) A local authority may carry out its works and perform its functions –
 - (a) By using its own staff; or
 - (b) By entering into an arrangement or contract with –
 - (i) The Crown; or
 - (ii) Any local authority, department of State, State enterprise, public body, local authority trading enterprise, person, or organisation.
- (2) In deciding ... how to carry out any work or to perform any function, the local authority shall –
 - (a) Have regard to the requirements of section 223C of this Act and to the objectives stated in its annual plan under section 223D of this Act; and
 - (b) Give due consideration to the advantages and disadvantages of different options.”

The Council is required to have regard to the requirements of s.223C and the objectives stated in its annual plan.

Section 223C provides:

- (1) Every local authority and, where applicable, every community board shall, in conducting its affairs, ensure that, -
 - (a) Its business is conducted in a manner that is comprehensible and open to the public:
 - (b) Clear objectives are established for each of its activities and policies:
 - (c) Conflicting objectives and conflicts of interest are resolved in a clear and proper manner:
 - (d) So far as is practicable, its regulatory functions are separated from its other functions:
 - (e) Its performance is regularly measured by it in relation to its stated objectives and is capable of being so measured by persons and organisation interested in the performance and activities of the local authority or community board.
 - (f) Its local communities, and, where appropriate, central Government, are adequately informed about the activities of the local authority or community board:
 - (g) So far as is practicable, where a committee of a local authority or community board is charged with, or has responsibility for, regulatory functions, that committee shall not be charged with or have responsibility for functions that are not regulatory functions:
 - (h) So far as is practicable, its management structure –
 - (i) Reflects and reinforces the clear separation of regulatory functions from other functions; and
 - (ii) Is capable of delivering adequate advice to the local authority or community board or any committee of the local authority or community board so as to facilitate the explicit resolution of conflicting objectives.

The Council objectives are set out in the 2000/01 Annual Plan.

Section 247D considerations on the advantages and disadvantages of the City Care proposal in substitution to the City Maintenance proposal are considered as part of this report.

(a) City Maintenance Services Proposal

This proposal provides for a new business unit called City Maintenance Services through the merger of the existing team from Plant and Building Services, the building maintenance team from QEII Park and the maintenance teams from Water and Waste. Key benefits of this proposal over the current structure are identified as follows:

- A large pool of skilled trades' people able to provide a flexible service response to seasonal work.
- Reduced supervisory, administration and property rental requirements flowing into reduced overhead costs.
- Internal competition between business units for the same types of work will cease.
- Improved transparency in that all overhead and service related costs would be recovered directly through service charges.
- Application of a consistent service focused orientation and business model for the delivery of building/mechanical trades services across the Council.

The proposal identified as surplus 13 current positions as a result of the synergies gained from bringing the teams together. The process envisaged the development of negotiated ongoing work contracts with levels of service and costs clearly specified, measurable and subject to periodic review.

(b) City Care Limited Proposal

The City Care Limited proposal also delivers to the Council the above advantages but has in addition the advantage of offering ongoing employment within the company for the staff positions identified as surplus in the City Maintenance Services proposal. While the company may not be able to initially guarantee employment in the affected staffs' current areas of expertise they will have continued employment with a significant organisation and the opportunity to develop and learn new skills. Investigations have also identified the opportunity for the Council to better utilise some current property holdings and to withdraw from others making them available for alternative use or sale. We see these as significant additional advantages that make sound business and social sense.

(c) City Care Limited proposal as amended after discussion with Asset Management Units.

Ongoing consultation and submissions received have identified two key areas which we feel should be taken into account should the City Care option be progressed. QEII has identified an ongoing need for the maintenance supervisor and a carpenter handyman to stay on the staff at the facility as part of the operations team to identify scope and manage service providers as well as undertaking minor maintenance works. We concur with this view.

Further discussion with the Water and Waste Units has identified three positions developing and managing the electronic monitoring and control of the piped networks (SCADA), that should be retained in the operations section if the maintenance functions are transferred to City Care. As these positions are essentially technical and software based we concur with this view.

BUILDING SERVICES

During the investigation and establishment process for transferring Works Operations and the mechanical services functions to City Care the decision was made to leave Building Services as an in-house operation. The Working Party believed at the time that the building services function was not a core skill needed for the expanded company operation and as part of the Council they also had a pricing advantage over competitors with the treatment of GST. City Care are very keen to acquire this operation from the Council to enable them to provide “total maintenance solutions” to external customers by offering the full range of building, pipe, roading and greens maintenance services. They have stated that they need to acquire these skills anyway but would prefer not to compete directly with Council resources.

Both parties recognise the current advantage provided by the treatment of GST for our housing maintenance operations but feel the overall ongoing work arrangements to be identified and agreed and future efficiencies that will flow from the transfer will more than compensate for this.

CONCLUSION

Overall, it is felt the amended proposal from City Care Limited makes sense and in reality brings forward what some of the team believed was an inevitable second stage process following the initial set up of a City Maintenance Services business unit. Council service requirements and costs can be protected through negotiated performance based contracts. Staff and Unions agree that subject to Council endorsement, as required by section 247D of the Local Government Act, the City Care Limited proposal should be adopted and progressed now.

The Chairman commented:

One of the reasons for the retention of the Water and Wastewater Maintenance teams within Council units was to safeguard the “institutional knowledge” that resides in long-serving staff members. Another reason was to ensure the absolute commitment to quality that cannot be guaranteed from profit-driven contracts. However, if long-term contracts are negotiated with City Care as preferred supplier, it should be possible to retain the institutional knowledge and the commitment to quality whilst maximising efficiency.

- Recommendation:**
1. That the activities of:
Building Services
Mechanical and Electrical Services of the Water and Waste Units
QEII Maintenance Team

be transferred to City Care Limited.
 2. That an Establishment Unit be set up to prepare and agree upon an Establishment Plan with the Christchurch City Council and in doing so:
 - (a) identify with reasonable precision the undertaking or undertakings that are to be transferred to City Care Limited.
 - (b) value any such undertaking or determine a method for its valuation;

- (c) determine the price that should be paid or the method for determining the price that should be paid by City Care for the undertaking and the extent to which the price should be met by the issue of equity securities and debt securities to the City Council;
 - (d) specify the debt security required to be issued pursuant to Section 594 zi of the Local Government Act;
 - (e) identify and highlight any changes required to the Constitution and Statement of Corporate Intent of City Care Limited.
 - (f) Determine the best manner in which, and time within which, the undertaking of the local authority should be transferred to City Care.
3. That preferred supplier status be agreed and costs for the activities identified in the report be subject to negotiation within the Establishment Unit process between the Establishment Unit and City Care Limited.
4. That the Council members of the Establishment Unit be:
- Chairman of Christchurch City Holdings Ltd, Councillor Alister James
Chairman of Strategy and Resources Committee, Councillor David Close
Deputy Chairman of Strategy and Resources Committee, Councillor Barbara Stewart
Chairman of Parks and Recreation Committee, Councillor Graham Condon
City Manager, Mike Richardson
Director of Business Projects, Ian Hay
5. That the Establishment Unit be requested to report back to the November Council meeting with final recommendations.

(Note: Councillor Wright abstained from the voting and discussion on the above clause.)