

**VALUE FOR MONEY SCRUTINY  
 COMMITTEE  
 23 JUNE 2015**

**PRESENT: COUNCILLOR MRS A M NEWTON (CHAIRMAN)**

Councillors Mrs J Brockway (Vice-Chairman), P M Dilks, A G Hagues, C E D Mair, Mrs M J Overton MBE and R B Parker

Councillor M Jones attended the meeting as an observer.

Officers in attendance:-

Andrea Brown (Democratic Services Officer), Zoe Butler (Head of Service Customer Service Centre), David Forbes (County Finance Officer), Judith Hetherington Smith (Chief Information and Commissioning Officer), Tracy Johnson (Scrutiny Officer), Pete Moore (Executive Director of Finance and Public Protection), Chris Scott (Director, Sector), Jasmine Sodhi (Performance and Equalities Manager) and Karen Tonge (Treasury Manager)

1 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors P Wood and I G Fleetwood.

No replacement members were in attendance.

2 DECLARATION OF COUNCILLORS' INTERESTS

No declarations of Councillors interests were received at this stage of the proceedings.

3 MINUTES OF THE MEETING OF THE VALUE FOR MONEY SCRUTINY COMMITTEE HELD ON 23 FEBRUARY 2015

RESOLVED

That the minutes of the meeting of the Value for Money Scrutiny Committee held on 23 February 2015 be confirmed and signed by the Chairman as a correct record.

The Chairman proposed to take Item 4 of the agenda, Council Business Plan 2012-2015 Performance report, Quarter 4 2014/15, after Item 5, Review of Financial Performance. This was agreed by Members.

4 REVIEW OF FINANCIAL PERFORMANCE

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Consideration was given to a report of the Executive Director of Finance and Public Protection which described the Council's financial performance for 2014/15 and made proposals for the carry forward of over and under spendings into the current financial year.

David Forbes, County Finance Officer, introduced the report and reiterated that this report was a pre-scrutiny decision and would be considered by the Executive at its meeting on the 7<sup>th</sup> July 2015.

During discussion, the following points were noted:-

- An underspend of £17.6m within education was noted as being large and it was explained that schools were prudent with management of their budgets and were not bound by the same restrictions the Local Authority had on those budgets;
- Page 6 of the report noted the "Alternatives Considered" but gave no details of those alternatives. When asked what these alternatives were, it was explained that pressing needs had been advised by directorates and bids for funding in excess of the 1% carry forward allocated could be submitted during the course of the year and these would be considered on merit. These alternatives had been considered by senior officers;
- Members were encouraged to raise the level of detail they would like to have presented at Scrutiny Committees in their discussions as part of the review of the Scrutiny function;
- This report was a year-end position statement with the carry forward being an implication of that position and based on the budget set 12 months earlier;
- It was acknowledged that the Budget had been set with good intention and that the underspend had not been anticipated at the time of setting that Budget;
- The General Reserves were 3.5% of the budget, which equated to £16m, which was slightly below average. The Earmarked Reserves were declining year on year but Lincolnshire's were average in comparison to other Councils. In the current year, £22m of those reserves were being used to balance the budget and, on the current trajectory if this continued, reserves would run out by Christmas of 2016;
- In relation to the corporate redundancy budget around £1m had been spent on redundancies in the Lincolnshire Adults Reablement Service (LARS) following its transfer to the health sector and in line with the agreement reached with health prior to the transfer. In addition, £1m-£1.5m had been set aside for those who *may* be made redundant in the next round of the restructure but as the process started in the last financial year, this had to be included in the budget despite this not being spent;
- The budget was linked to the Council's business plan which gave an indication of the value for money being received for services;
- Members agreed to add a recommendation to encourage the Executive to give considerations to allocate some of the underspend to known pressures within the Council.

## RESOLVED

1. That the recommendation to the Executive to recommend to Full Council that the Adult Care underspend up to 1% not be carried forward as part of the Adult Care budget but added to the underspends above 1% for the purpose of resolution 2 below, be supported;
2. That the recommendation to the Executive to recommend to Full Council that the proposals in paragraph 1.90 of Appendix A relating to the treatment of underspends in excess of 1% be supported;
3. That the recommendation to the Executive to note the transfers to and from the reserves carried out in 2014/15 as set out in Table D of Appendix A be supported;
4. That the recommendation to the Executive to note the financial performance in 2014/15 including the Prudential Indicators be supported;
5. That the Executive be asked to give serious consideration to allocate some of the underspend to the known pressures within the Council.

5 COUNCIL BUSINESS PLAN 2012-2015 PERFORMANCE REPORT -  
QUARTER FOUR 2014/15

Consideration was given to a report from the Chief Information and Commissioning Officer which summarised performance in Quarter 4 2014/15 and highlighted the changes since the previous quarter. This report was the final report against the 2012-2015 Council Business Plan.

Jasmine Sodhi, Performance and Equalities Manager, introduced the report and advised that there was no further information to add to the report as presented.

During discussion, the following points were noted:-

- Financial Performance Indicators were included in Report 5.0, Review of Financial Performance 2014/15, and confirmed that the target for "Payments within 30 days" was 92.5% and the Authority had reached 95.4%;
- A breakdown of the areas visitors to Lincoln Castle were from was requested;
- In relation to targets for local suppliers, the Local Authority had to be quite careful about the best way to review procurement regulations. Within the new regulations, it was stated that advertisements for new contracts must be done nationally whereas previously, Authorities had the discretion to do this more locally;
- Procurement was not always undertaken centrally but those involved in the process did understand the importance of local companies. It was key to remain within the legal guidelines although the Committee was reassured that, where legally possible, local companies would be considered also. It was stressed that some contracts could be localised whereas others could not;
- Some procurement frameworks were selected randomly and, as a competitive process, it was for the companies themselves to ensure they get on to that framework;

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At 11.00am, Councillor P M Dilks left and did not return.

- Assurance was requested that the Local Authority had referred academies to the Regional Schools Commissioner where performance was poor or not improving. Details of this would be provided after the meeting;
- Sick leave numbers had decreased and this was due to proactive work undertaken to support staff in returning to work. All managers were to undertake a return to work interview regardless of the length of time a member of staff has been away from work. Additionally, a supportive environment was encouraged with one-to-one support.
- Occupational Health had also been reprocurd and this had much improved, providing practical support to both the manager and member of staff. Where members of staff had identified a disability, they had found that this new provider was very knowledgeable and supportive;
- Colleagues had been reminded to report compliments as success needed to be celebrated. Any compliments for staff should be sent to line managers who would feed in to the process;
- The Committee had no additional comments to report to the Executive.

**RESOLVED**

That the report be noted.

**6 TREASURY MANAGEMENT ANNUAL REPORT 2014/15**

Consideration was given to a report from the Executive Director of Finance and Public Protection, which compared activity to the Treasury Management Strategy for 2014/15 and detailed issues which may have arisen in treasury management during that period.

Karen Tonge, Treasury Manager, introduced the report and confirmed that Chris Scott, the Council's Treasury Adviser, was also in attendance to answer any questions the Committee may have.

During discussion, the following points were noted:-

- The report considered the Council's total debt borrowing and compared this to the Authorised Limit for External Debt set for 2014/15. It was confirmed that this limit considered all planned borrowing requirements for the year ahead and also allows for a contingency sum to cover any risk of default of investments or temporary borrowing required for cashflow purposes. The limit was monitored throughout the year and reported to the Executive Director of Finance and Public Protection in the likelihood of a breach;
- A view was taken to pay all creditors on 31<sup>st</sup> March even if their invoices were not due in preparation for moving to the new Agresso Financial System from SAP. This decision impacted on the cashflow of the authority leaving a lower than usual investment balance at 31 March 2015;
- The Council's investment return outperformed the market benchmark by 0.25% largely achieved by lengthening the Weighted Average Maturity (WAM)

of investments held. The Credit Methodology set by Capita was not breached during the year. Capital had removed the Sovereign Support from its credit methodology to reflect change to legislation followed by the Credit Rating Agencies. The Council had altered its Lending List accordingly as a result.

## RESOLVED

That the report be noted.

### 7 FUTURE DELIVERY OF SUPPORT SERVICES (FDSS)

Consideration was given to a report from the Chief Information and Commissioning Officer which provided an update on the outcomes of the work of the Future Delivery of Support Services (FDSS) Programme.

Judith Hetherington Smith, Chief Information and Commissioning Officer, introduced the report and invited comments from the Committee.

During discussion, the following points were noted:-

- In relation to the transition programme, a full consultation with staff was undertaken to ensure that services were not disrupted and that LCC continued to receive a successful service before and after 1<sup>st</sup> April 2015. All this information was written within the Project Brief;
- Following the transition of staff, the Local Authority had no ability to measure staff satisfaction of the process. The Customer Service Centre continued to measure customer satisfaction although this was now undertaken by Serco on behalf of the Council;
- The Agresso system was held in two separate data centres outside of Lincoln. A series of IT transformations were ongoing and gradually being moved from Lincoln to remote data centres. The higher the level of resilience provided the more costs they would incur. The work was expected to be concluded in March 2016 and the cost of the project work was included within the transformation activity within the Serco contract as was the cost of ongoing maintenance;
- The remote data centres were of a high standard and were used by other public sector organisations, including the Ministry of Defence;
- It was confirmed that Financial Accountancy had been brought in to the authority and that the Pensions Administration had transferred to West Yorkshire. The Property Services function had transferred to VinciMouchel and the Health and Safety team had come back to the Council;
- Agresso went live on 7<sup>th</sup> April 2015 following which a number of issues were raised and these were continuing. Two options were available for the April payroll, the first to rerun the March payroll from the BACS file or to run using Agresso. It was recognised that neither would provide a wholly accurate outcome. A balanced decision was taken, considering the risk involved following discussions with colleagues from internal audit, finance and Human Resources and that decision was to use the new Agresso system. Although all satisfactory testing had not been completed, it had been agreed that the

majority of staff wages would be processed accurately and would ensure that any errors could be dealt with more quickly and easily. Payrolls had been run in April, May and June with April and May being the most problematic. June had been more successful but did result in some issues. Unit 4 own Agresso and have provided the support for this, working closely together to resolve these issues and many of these have been resolved satisfactorily with the rest expected to be complete in July;

- Where staff were not on the payroll system and did not get paid or any kind of hardship felt by staff, arrangements were made to pay staff via a CHAPS payment. This also resulted in a significant impact to get those processed. It was acknowledged that some staff had been left angry and frustrated as a result of these issues but assurance had been given that everything possible was being done to rectify these issues to seek to ensure they did not happen again;
- Difficulty had also been seen with payment of suppliers and invoices due to issues which had not been anticipated. As previously mentioned, some payments had been made earlier than necessary before the changeover of the systems. The difficulty was that a lot of the invoices received did not have purchase order number and so it was difficult for them to contact the correct department for verification of the invoice. Business Support had provided support in order to help them to understand this in order to overcome the backlog and ensure payments could be made. Serco had made a firm commitment to clear the backlog of invoices by the end of June 2015;
- Schools were also using Agresso and were finding this difficult as it hadn't been working properly. Additionally, they felt that additional training was required.
- Critical invoice processing was implemented to assist any company who may be put in to difficulty as a result of the issues to ensure that payment could be made;
- Internal Auditing continued to work closely with the Agresso Team to ensure that these errors were rectified and measures put in place to avoid any further issues;
- There was a strong institutional memory and a number of those who were involved in this change were also involved in the previous change of system and, due to that previous experience, the transition had been smoother, despite the issues. System changes of this kind were vast and difficult and some issues were anticipated;
- Although the Agresso implementation did not go as smoothly as expected, the fundamental approach of the changeover was not wrong;
- A number of different problems had arisen and it was thought that Serco also underestimated the volume of work involved as well as not providing the correct skill levels to cope with this critical changeover period;
- The staff who TUPE'd from Mouchel was also a lot less than anticipated as they had been offered other jobs within Mouchel, resulting in Serco needing to recruit;
- It was suggested, and agreed, that Serco attend the meeting scheduled for September to address the Committee.

RESOLVED

1. That the report and update be noted;
2. That Serco be invited to attend the next meeting of the Value for Money Scrutiny Committee, scheduled for 22<sup>nd</sup> September 2015.

8 APPOINTMENT OF LOOKED AFTER CHILDREN/CARE LEAVER REPRESENTATIVE

Consideration was given to a report from Richard Wills, Director responsible for Democratic Services, which invited the Committee to appoint a Looked After Children/Care Leaver Representative for the Committee following approval of the Corporate Parenting Strategy.

Tracy Johnson, Scrutiny Officer, introduced the report and requested a volunteer from the Value for Money Scrutiny Committee.

Two of the Committee members had already volunteered as members of other Committees, Councillors Mrs J Brockway and P M Dilks. Councillor A G Hagues also could not volunteer as he was a member of the Corporate Parenting Panel and was already involved as a member of that Panel.

Following discussion, Councillor Mrs M J Overton MBE agreed to be the Value for Money Scrutiny Committee representative.

RESOLVED

That Councillor Mrs M J Overton MBE be the Looked After Children/Care Leaver representative for the Value for Money Scrutiny Committee.

9 VALUE FOR MONEY SCRUTINY COMMITTEE WORK PROGRAMME 2015

Consideration was given to a report of the Director responsible for Democratic Services which provided the Committee with the opportunity to consider the work programme for the coming year.

It was agreed to add Serco Contract Performance Management to the Work Programme for the September meeting.

No items were listed for consideration at the meeting scheduled for 28<sup>th</sup> July 2015 therefore it was suggested that the formal meeting be cancelled and a workshop held to consider the scrutiny of the new performance information. The workshop was proposed to be opened up to all Councillors. A session in relation to iPads and the paperless working was also suggested.

The Committee agreed and was keen to have a session regarding iPads as it was difficult to manoeuvre around the Modern.gov app especially if there were supplements published. Also, it was felt that having detailed tables on the projector screens may be helpful when considering documents.

**8**

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RESOLVED

1. That the report be noted;
2. That the meeting scheduled for 28<sup>th</sup> July 2015 be cancelled and replaced with a workshop.

The meeting closed at 12.30 pm