VALUE FOR MONEY SCRUTINY COMMITTEE
27 SEPTEMBER 2016

PRESENT: COUNCILLOR MRS A M NEWTON (CHAIRMAN)

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

Councillors: M A Whittington and B Young attended the meeting as observers

Officers in attendance:-

Paul Briddock (Partnership Director for SERCO), David Forbes (County Finance Officer), Ciaran Gaughan (SERCO Contract Manager), Judith Hetherington Smith (Chief Information and Commissioning Officer), Zam Kaderkutty (Programme Director Serco), Kevin Kendall (County Property Officer), Pete Moore (Executive Director, Finance and Community Safety), Sophie Reeve (Chief Commercial Officer), Daniel Steel (Scrutiny Officer) and Rachel Wilson (Democratic Services Officer)

13 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors S F Kinch and Mrs M J Overton MBE.

14 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of interest at this point in the meeting.

15 MINUTES OF THE LAST MEETING OF THE VALUE FOR MONEY SCRUTINY COMMITTEE HELD ON 26 JULY 2016

RESOLVED

That the minutes of the meeting held on 26 July 2016 be agreed and signed by the Chairman as a correct record.

16 ANNOUNCEMENTS BY THE EXECUTIVE COUNCILLOR FOR GOVERNANCE, COMMUNICATIONS, COMMISSIONING, FINANCE AND PROPERTY AND CHIEF OPERATING OFFICERS

It was reported that there were no announcements from either the Executive Councillor or senior officers.

17 PERFORMANCE OF THE CORPORATE SUPPORT SERVICES

CONTRACT

Consideration was given to a report which provided an update of Serco's performance against contractual Key Performance Indicators for June and July 2016. It was noted that performance for August 2016 was still being reviewed at the time of writing of the report.

Members were advised that the Council was currently working with Serco to review the key performance indicators for the contract. It was hoped to bring a report to the Committee in November on the outcome of the review.

The report was introduced by the Chief Information and Commissioning Officer, who informed the Committee that there had been a couple of changes in terms of performance including the IMT KPI_09 going green for the first time, however, some of the other IMT KPI's had slipped back.

Paul Briddock, Partnership Director, Serco and Zam Kaderkutty, Programme Director, Serco, were in attendance at the meeting to provide an update on the performance of the Corporate Support Services Contract. The Partnership Director provided an update on some of the KPI's which were not at the required level of performance. However, it was also reported that steady progress was being seen in relation to the Customer Service Centre KPI's. In relation to the abandonment rate of calls, it was reported that this was not as good as usual because 20% of the staff at any time were currently being trained on the Mosaic system, and once the training schedule was completed it was expected that performance would improve.

Members were provided with the opportunity to ask questions of the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was commented that members were aware of the review of KPI's and it was queried how many of the 9 KPI's which were not at target were capable of being achieved without the target being reviewed. Members were assured that Serco still intended to work towards meeting those targets, but there were approximately four targets which were not able to be measured in an appropriate way. It was hoped that the remaining five would be met by existing conditions.
- It was queried what level of confidence there was that the performance of those indicators which were already meeting their targets would remain consistent. It was reported that it was the aim to show that the targets could be delivered consistently. However, there could be somethings outside the control of Serco which could affect performance.
- Members were advised that the intention was to reach the performance targets as quickly as possible, but it was important to not risk the quality of the service just to meet targets.
- It was queried why the number of outstanding payroll contacts had increased (Table 3 of the report). Members were informed that those contacts which were outstanding were those where a suitable resolution had not been reached with the individual or service. Some were longstanding, and they would not be closed down until a suitable resolution was reached.

- With those KPI's which could not be measured, there was a need to get them to a point where they could be measured. Members were assured that these targets would still be challenging.
- Concerns were raised that there still wasn't an end date, and an absolute date was requested, even if it was, for example, April 2017.
- One member commented that they were unhappy that KPI's were being changed, and believed that this was something that should have been addressed at the start of the contract, and queried what happened during the handover year. Officers clarified that the contract required regular reviews of the KPI's as it was usual for KPI's to need to be updates in a long and complex contract of this nature.
- There had been many attempts by Serco to measure these KPI's and it was noted that it was in the Council's interest to change the KPI's so that they could be measured, not to make them easier to achieve. This would mean that the Council would have a real measure of service performance.
- One member commented that they were very clear that Serco were working very hard to put the issues right, but they could not understand why senior officers in Serco had agreed the targets and indicators at the time the contract was signed if they knew they were not measurable. It was not that KPI's would be difficult to achieve, but that they were not measurable to begin with. It was queried why a company would do that it itself as it would be damaging to both the authority and the company. It was commented that at the time the contract was signed, the organisation was very different to the one it was now, and it was recognised that there needed to be a change from the top to the bottom, and if Serco was presented with a contract now, it would look much different. Serco reassured members that they would not walk away from the contract, and were committed to correcting all the issues.

Serco's Programme Director provided the Committee with an update on progress of projects currently underway by Serco. Members were informed that the format of the report had been amended to focus more on outcomes and it was hoped that this would be more meaningful.

It was reported that the key enablers for the Channel Shift initiative would be the payment gateway solution to allow online payment. A lot of work was taking place to ensure the time lines were adhered to. Some of the technical issues in relation to the website had been overcome, and it was hoped to now make more rapid progress and it was expected to be delivered early in Quarter 1. There were still details to finalise with all partners involved.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised during discussion included the following:

- It was queried whether there were any risks with the planned version update of Agresso. Members were advised that this was not a full upgrade of the system, and would be fully tested before being rolled out. A test suite was being built with test scripts, which could be used for all update testing.

- In relation to the online fault reporting for highways, the target completion date was 30 September 2016, but it was acknowledged that this project would not meet this target.
- It was confirmed that it was LCC staff who processed blue badge applications, but Serco was contracted to provide the technology to make the processing easier. However, some changes to the national guidance were expected, and once these were known the changes would be made.
- It was queried whether there would be a prioritisation system for fault reporting, and members were advised that Serco would not be responding to faults, but would just channel the information through to Kier and other council contractors.

RESOLVED

1. That the updates provided in relation to Serco's performance against key performance indicators for June and July 2016 be noted.
2. That a report on the review of performance indicators being undertaken by Serco and the County Council be brought back to the Committee in November.

18 TREASURY MANAGEMENT ANNUAL REPORT 2015/16

Consideration was given to a report which had been prepared in accordance with the reporting recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 2011 and detailed the results of the Council's treasury management activities for the financial year 2015/16. The report compared this activity to the Treasury Management Strategy for 2015/16, approved by the Executive Councillor for Finance on 23 March 2015.

Members of the Committee were guided through the report by the Treasury Manager, and were provided with an opportunity to ask questions to the officers present in relation to the information contained within the report. Some of the points raised during discussion included the following:

- It was confirmed that it was a strategic decision to invest for a maximum of 12 months. There was not much value in 2 year investments. However, there were only a couple of investments which could be lent to for more than 12 months.
- In relation to LOBO (Lenders Option Borrowers Option), it was queried where the market was heading, and whether these types of investments seemed to be not as popular as at previous times. Members were advised that there had been a couple of LOBO's with BAE Systems, and they were still an opportunity where there were external Pension funds willing to lend. However, the opportunity for banks to make good returns had been removed.
- It was commented that Lincolnshire was currently outperforming its peers, but it was queried how the use of reserves to balance the budget would affect the authority's investments in the future. Members were advised that if reserves fell too low the authority would have to borrow to support its liquidity throughout the year.

- It was noted that one of the biggest risks facing treasury management would be if the £160m of internal borrowing had to be converted to real borrowing.
- If there were European negative rates, this would not affect the authority.
- The Committee thanked the Treasury Manager for an excellent report.

RESOLVED

That the report, as presented, be noted.

19 TREASURY MANAGEMENT UPDATE 2016/17 QUARTER 1 UPDATE REPORT TO 30 JUNE 2016

Consideration was given to a report which had been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2011 and detailed the Council's treasury management activities for the 1st quarter of 2016/17 30 June 2016, comparing this activity to the Treasury Management Strategy for 2016/17, and approved by the Executive Councillor for Finance on 21 March 2016.

Members were guided through the report by the Treasury Manager and were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- According to a leading economist, one of the major risks to the world's economies was growth, as they could not see any significant growth taking place in the next few years.
- It was queried how the balance between borrowing and investment was determined, and members were advised that borrowing was for capital purposes, but the authority was trying to reduce the amount it borrowed.
- It was reported that the Capital programme had reduced in recent years. Some of the £480m external borrowing was from projects started in 1993, and some of it had penalties if it was repaid early.
- It was noted that the authority had a mix of short term investments and long term borrowing.
- There was recognition that long term borrowing was used for long term projects, but there was request for more information in relation to historic underspends and whether there would be any benefits in allocating budgets so there would not be an underspend. It was queried whether there was any scope in terms of a VfM project, to look at how consistently the authority had underspent.
- It was commented that 2015 was not a good example, due to the issues with Agresso. It was confirmed that there had been historic underspends on the capital programmes. A piece of work could be done that examined different capital projects and why expenditure differed in terms of timing relative to the budget profile. A report could be brought back to a future meeting.
- It was reported that any combined authority created as part of the proposed greater Lincolnshire devolution agenda would have its own treasury management policies. Some initial drafts had already been produced.

- It was noted that there was a need to understand why there were underspends on capital projects.
- The Committee welcomed the report, and requested a future report on how the authority could minimise the carrying forward of underspends on capital projects.

RESOLVED

1. That the report be noted.
2. That a future report on how the underspends on capital projects could be minimised be brought to a future meeting.

20 COUNTY COUNCIL PROPERTY ASSETS - COMMERCIAL OPPORTUNITIES

Consideration was given to a report which provided the Committee with an overview of the Commercial Asset Opportunities available to the County Council.

Members were advised that one option under consideration was the County Council setting up its own (wholly owned) Local Authority Housing Company, an initial meeting with external advisors had been held, but there would be a need to engage further experts. Officers were planning to visit other authorities that had already done this. However, it was noted that if this option was pursued it would be a few years before an income would be generated.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- It was suggested that it was the responsibility of the government and local authorities to invest in housing.
- There would be a need to evaluate any financial risks.
- It was suggested that one option could be to carry out a review of the assets owned by the County Council as there could be some assets which were immediately releasable.
- In relation to the idea of a housing company, it was important that the right kind of homes were built. For example, there was a shortage of one bedroom properties in South Kesteven. There was a need to examine the types of housing which were being provided.
- It was agreed that this was a really good initiative.
- A report and outline business case to explore the creation of a Housing and Investment Company would be brought back to a meeting of this Committee in January 2017.

RESOLVED

That the report, as presented, be noted.

21 CORPORATE HEALTH AND SAFETY ANNUAL REPORT 2015/16

It was reported that one of the key roles of the Value for Money Scrutiny Committee was to review and scrutinise the performance plans for resource management, of which and health and safety management was an integral part. Members received a report which assisted the committee in fulfilling that role, by providing an overview of the health and safety performance of the Council for the period April 2015 to March 2016.

The Corporate Health and Safety Advisor provided the Committee with a summary of the contents of the report. Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following;

- It was queried whether there was any follow up on accidents which were reported in terms of any lessons learnt. Members were advised that this would be dependent on whether the accident was RIDDOR reportable or not, and managers should always carry out their own investigation. The Health and Safety Team would only get involved if the accident needed to be reported to the HSE.
- It was commented that there were many staff who were externally appointed, particularly in social care, and it was queried what interest there was in the safety of people working in council duties. Members were advised that in these situations, the legal responsibility laid with the contractor. However, part of the tender process was ensuring that any contractor had the same standards of health and safety as the County Council. The Corporate Health and Safety Team were able to provide additional support to contractors if required.
- For example, in Highways, it was expected that contractors adhered to the same standards that the Council would. It was noted that Vinci Mouchel did have very robust reporting procedures for accidents.
- One member commented they were pleased to see reference being made in the Annual report to succession planning.
- Concerns were raised regarding disabled access to fire alarms, and the current contract was ending. One member reported that she had not yet received an answer on what a deaf person would do if they were in a room on their own when the fire alarm went off. Members were informed that it was the responsibility of the line manager to ensure that anyone within their team who would require assistance had a personal evacuation plan. It was not appropriate for there to be a corporate blanket approach as every person's needs were different.
- It was confirmed that all contracts had standard health and safety clauses, these would also apply to sub-contractors as well.
- In terms of bomb alarm drills, these would be led by the emergency planning team, as there would be a need for multi-agency support. However, the Corporate Health and Safety Team would also be available to provide support. It was noted that in the event of a bomb alarm, it would not just be county offices which would need to be evacuated, it would also require the neighbouring buildings to be evacuated as well.

- It was emphasised that this team were not security experts, but in the future may need to look at gaining additional expertise from the Police.

RESOLVED

That the performance for the past year be noted.

22 LOCALISATION OF BUSINESS RATES - UPDATE

Consideration was given to a report which provided the Committee with an update to the present situation in relation to the intention that by the end of the current Parliamentary Term local authorities will be primarily funded by council tax and 100% local retention of business rates. The report also incorporated local and national responses to two DCLG consultation exercises on the subject that closed on 26 September 2016.

It was highlighted that one of the issues was the importance of the Needs and Redistribution Group, which had an emphasis on the disparity between authorities such as Lincolnshire and London. It was hoped that a needs led assessment would shift some of the disparities with London. Cities received a lot of capital investment for business rate growth.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report, and some of the points raised during discussion included the following:

- It was commented that even though the proposal was for authorities to keep 100% of business rates, it still would not be enough for Lincolnshire and the authority would need to receive a top up payment.
- It was queried whether this would allow councils to set a zero rate council tax. It was believed the council tax cap would remain at 2% with an added 2% for those authorities with an adult care precept.
- If local authorities were funded by business rates, this would involve more risk, for example if a major business decided to relocate out of an area this would have an impact on the amount of business rates collected by that authority. It was noted that the government would be putting a safety net in place but under the present system this would require an authority to lose at least 7.5% of their business rate income before they would become eligible. This was likely to change under the new regime.
- There was a need for a redistribution rate from day one, or the divergence between low funded authorities such as LCC and better funded authorities would grow.
- The differential between Lincolnshire's funding and that of a London borough was huge. There was a need to look to similar authorities to Lincolnshire to build pressure to ensure funding was allocated fairly. However, those authorities who were well funded would push back to ensure they kept their funding.

RESOLVED

That the report, as presented, be noted.

23 VALUE FOR MONEY SCRUTINY COMMITTEE WORK PROGRAMME

Consideration was given to a report which enabled the Committee to consider and comment on the content of its work programme for the coming year to ensure that scrutiny activity was focused where it could be of greatest benefit.

Members were advised that there would be a budget workshop following the meeting on 22 November 2016, and commencing at 1.30pm. Members with any suggestions in relation to the budget were advised to contact the relevant directors prior to the session.

It was reported that there would be a pre-decision scrutiny item on the agenda for the November meeting in relation to the options for Rose House, Lincoln.

RESOLVED

That the work programme be noted subject to the inclusion of the above item.

The meeting closed at 1.05 pm