



County Offices
Newland
Lincoln
LN1 1YL

14 November 2016

Value for Money Scrutiny Committee

A meeting of the Value for Money Scrutiny Committee will be held on **Tuesday, 22 November 2016 at 10.00 am in Committee Room One, County Offices, Newland, Lincoln LN1 1YL** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Tony McArdle', written over a horizontal line.

Tony McArdle
Chief Executive

Membership of the Value for Money Scrutiny Committee
(11 Members of the Council)

Councillors Mrs A M Newton (Chairman), Mrs J Brockway (Vice-Chairman), P M Dilks, I G Fleetwood, A G Hagues, S F Kinch, C E D Mair, Mrs M J Overton MBE, R B Parker, P Wood and 1 Conservative Vacancy

**VALUE FOR MONEY SCRUTINY COMMITTEE AGENDA
TUESDAY, 22 NOVEMBER 2016**

Item	Title	Pages
1	Apologies for Absence/Replacement Members	
2	Declaration of Members' Interests	
3	Minutes of the last meeting of the Value for Money Scrutiny Committee held on 27 September 2016	5 - 14
4	Announcements by the Executive Councillor for Governance and Communications, Commissioning, Finance and Property and Chief Operating Officers	
5	Performance of the Corporate Support Services Contract <i>(To receive a report from Judith Hetherington Smith, Chief Information and Commissioning Officer, which provides an update of Serco's performance against contractual Key Performance Indicators, for August and September 2016. Performance for October 2016 remained under review at the time the agenda was published. Information on key transformation projects being undertaken by Serco were also included)</i>	15 - 44
6	Corporate Support Services Contract - KPI Review 2016/17 <i>(To receive a report from Judith Hetherington Smith, Chief Information and Commissioning Officer, which provides a summary of the review of the Corporate Support services Key Performance Indicators for the contract and proposes changes to some of those Key Performance Indicators)</i>	45 - 74
7	Council Workforce Plan 2016-2017 - Update <i>(To receive a report from Fiona Thompson, Service Manager – People, which provides an update on progress made by the Council Workforce Plan 2016-2017 (formerly People Strategy Plan) and the main projects within it. The Workforce Plan identifies the Council's people management commitments to support delivery of the Council Business Plan)</i>	75 - 86
8	Treasury Management Update 2016/17 - Quarter 2 Mid Term Update Report to 30 September 2016 <i>(To receive a report from Karen Tonge, Treasury Manager, which has been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2011 and details the Council's treasury management activities for the first half of 2016/17 to 30 September 2016, comparing this activity to the Treasury Management Strategy for 2016/17)</i>	87 - 114

- 9 Greater Lincolnshire One Public Estate (OPE) Programme Update** 115 - 118
(To receive a report from Kevin Kendall, County Property Officer, which provides an update on the OPE initiative which channels funding and expert support through councils to deliver cross-public sector collaboration on ambitious property-based projects)
- 10 Value for Money Scrutiny Committee Work Programme** 119 - 122
(To receive a report from Daniel Steel, Scrutiny Officer, which provides the Committee with the opportunity to consider its work programme for the forthcoming year)

Democratic Services Officer Contact Details

Name: **Andrea Brown**

Direct Dial **01522 553787**

E Mail Address andrea.brown@lincolnshire.gov.uk

Please note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

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**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.

**VALUE FOR MONEY SCRUTINY COMMITTEE
27 SEPTEMBER 2016****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 to 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.

**VALUE FOR MONEY SCRUTINY COMMITTEE
27 SEPTEMBER 2016**

- 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.

6

VALUE FOR MONEY SCRUTINY COMMITTEE

27 SEPTEMBER 2016

- 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

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Policy and Scrutiny

Open Report on behalf of Judith Hetherington Smith Chief Information and Commissioning Officer

Report to:	Value for Money Scrutiny Committee
Date:	22 November 2016
Subject:	Performance of the Corporate Support Services Contract

Summary:

This report provides an update of Serco's performance against contractual Key Performance Indicators for August and September 2016. Performance for October 2016 is still being reviewed at the time of writing this report.

The report also provides an update on the progress made on key transformation projects being undertaken by Serco.

Actions Required:

Members of the Value for Money Scrutiny Committee are invited to consider and comment on the report and highlight any recommendations or further actions for consideration.

1. Background

This report is to provide an update of the contract performance information to enable the Value for Money Scrutiny Committee to fulfil its role in scrutinising performance of one of the Council's key contracts.

2. Performance

Appendix A to the report provides the detailed Key Performance Indicators (KPIs) results for the previous 12 months of service delivery (October 2015 to September 2016) broken down by service area. October 2016 KPI performance figures are being prepared at the time of writing this report.

Table 1 below provides summary red/amber/green (RAG) status of the 43 KPIs used to measure all of the service areas for the period June 2016 to September 2016. Red status indicates that Serco's performance against the KPI has failed to meet Minimum Service Levels (MSL) set out under the Corporate Support Services (CSS) Contract, amber status indicates a failure to meet the Target Service Levels (TSL), and green indicates that Serco's performance as measured against the KPI has either met or exceeded the TSL.

Table 1: Overall KPI Summary Performance

Overall KPI Performance Level (RAG Status)	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	30	31	28	26
Minimum Service Level achieved	3	2	6	6
Below Minimum Service Level	8	9	7	7
Mitigation Agreed	2	1	2	4
TOTAL	43	43	43	43

Table 8 in section 8 of this report sets out all of the KPIs which have failed to meet the MSL in either August or September and the effect the failure has on the Council. Additionally Table 9, in section 9 of this report, sets out the background and reasons for LCC granting mitigation relief on two KPIs in August and four KPIs in September.

3. People Management (PM)

Table 2 below shows the summary KPI performance for the People Management (PM) service.

Table 2: PM KPI Summary Performance

PM KPI Performance Level	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	5	5	4	5
Minimum Service Level achieved	0	1	1	0
Below Minimum Service Level	4	4	4	4
Mitigation Agreed	1	0	1	1
TOTAL	10	10	10	10

The four KPIs that did not meet their MSL (thus red) in both August and September have been in this position since contract commencement in April 2015. For three of these four red status KPIs (PM_KPI_02, 04 & 05), they remain as fails due to disagreement between the Council and Serco in the way that they are measured. The provisional KPI review agreement between Serco and LCC should resolve these matters; the details of the proposed changes to resolve the disagreement are contained in the separate 'KPI review' VFM committee report.

PM_KPI_03, (*percentage of Payment Deductions paid within Third Party Payment Date per month*), remained red in August and September (96.77% and 93.33% respectively) due to an ongoing issue effecting RTI pay over process which Serco are working to resolve. Serco have stated that they expect the KPI to achieve the TSL (100%) in October.

Payroll

Appendix C to this report shows the payroll contact statistics received by Serco between November 2015 and September 2016. Table 3 below shows payroll contacts received by Serco over the last 6 months (April 2016 – September 2016).

The table (and appendix) details the contacts made by corporate staff and schools staff separately and then provides a total of the two sections. Additionally the table provides detail of how many of the contacts received have been resolved and what number remain outstanding. The final row of the table provides an overall resolution rate for contacts received for both schools and corporate staff.

There has been an increase in Schools contacts for the month of August and September in comparison to previous months. This was expected and is as a result of the new school term in September.

Table 3: Payroll contacts received by Serco over the last 6 months

Payroll Contacts Received by Serco	April 2016	May 2016	June 2016	July 2016	Aug 2016	Sept 2016
Corporate Contacts (of which Resolved / Outstanding)	532 (530/2)	467 (464/3)	308 (298/10)	184 (175/9)	219 (213/6)	212 (187/25)
School Contacts (of which Resolved / Outstanding)	853 (837/16)	464 (415/49)	262 (233/29)	167 (105/62)	320 (182/138)	464 (149/315)
Total Contacts (of which Resolved / Outstanding)	1385 (1367/18)	931 (879/52)	570 (531/39)	351 (280/71)	539 (395/144)	676 (336/340)
Overall Resolution Rate (%)	98.70	94.41	93.16	79.77	73.28	49.70

4. Information Management Technology (IMT)

Table 4 below shows the summary KPI performance for the Information Management Technology (IMT) service.

Table 4: IMT KPI Summary Performance

IMT KPI Performance Level	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	6	8	6	5
Minimum Service Level achieved	3	0	4	5
Below Minimum Service Level	3	4	2	2
Mitigation Agreed	0	0	0	0
TOTAL	12	12	12	12

IMT performance in August and September suffered somewhat of a downturn in that fewer KPIs achieved their TSL (green status) compared to July albeit the number of KPIs failing to reach their respective MSL (red status) reduced. IMT_KPI_01, IMT_KPI_02 and IMT_KPI_04 moved from green in July to amber for both August and September.

The number of Priority 1 incidents reported meant that IMT_KPI_05 failed to meet the MSL target (5 incidents) in both August (9 incidents) and September (7 incidents) thus was red, having been green in July (1 incident).

IMT_KPI_06 (number of Priority 2 incidents) met its TSL in both August and September thus turned green having been red in July.

In August, the Council agreed to the evidence supplied by Serco for the measurement of IMT_KPI_09 (% Service Request Fulfilment Achieved within Fulfilment Time). This is the first time that the KPI has been agreed/measured and the performance level exceeded its TSL thus was green. In September, performance against this KPI fell back to 85% so only achieved MSL (amber).

Evidence for performance against IMT_KPI_11 (% of project milestones achieved each month) has not yet been agreed so this KPI remains unreportable (red status - "Data not available"). Serco recognise that this is a matter in their sole control to resolve.

5. Customer Service Centre (CSC)

Table 5 below shows the summary KPI performance for the Customer Service Centre (CSC).

Table 5: CSC KPI Summary Performance

CSC KPI Performance Level	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	8	7	7	6
Minimum Service Level achieved	0	1	1	0
Below Minimum Service Level	0	0	0	0
Mitigation Agreed	1	1	1	3
TOTAL	9	9	9	9

During September the CSC began widespread training in preparation for the go live of Mosaic. This amounted to over 600 hours of training during September alone. Although this training was carefully scheduled it represented a significant portion of the CSC capacity, especially in the Social Care services. Due to the length of time it takes to train an Advisor to our required standard it was agreed that it was not cost effective to temporarily increase the size of the team for this exercise.

In recognition of the impact LCC has given Serco relief against 2 KPIs affected by this reduction in capacity for September. These are CSC_KPI_04 (*percentage of total calls that are abandoned calls*) and CSC_KPI_09 (*% of carers assessments (reviews and new), as completed by the CSC, completed accurately and within 20 Business Days*). CSC_KPI_04 has a TSL of <7% and a MSL of <10%. CSC_KPI_09 has a TSL and MSL of 100%.

The reduction in capacity has also put pressure on average waiting times in September compared to August, however CSC_KPI_07 (*Percentage of Customers in any month rating their experience of contact with the Council across the range of Access Channels as Good or Very Good on a range of measures*) examines customer experience, which was green against the TSL of 90% with a result of 92.76% so despite the pressures described above, the service to customers remains very high.

6. Adult Care Finance (ACF)

Table 6 below shows the summary KPI performance for the Adult Care Finance (ACF) service.

Table 6: ACF KPI Summary Performance

ACF KPI Performance Level	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	9	9	9	8
Minimum Service Level achieved	0	0	0	1
Below Minimum Service Level	0	0	0	0
Mitigation Agreed	0	0	0	0
TOTAL	9	9	9	9

Serco's performance against all nine ACF KPIs met or exceeded the agreed TSLs in August.

In September, performance against PM_KPI_03 (% of new, and change of circumstance, financial assessments for non-res care completed within 15 Business Days), fell back to amber with a result of 71.35% which Serco attributed to an increase in the volume of assessments undertaken coinciding with unplanned staff absences.

7. Financial Administration

Table 7 below shows the summary KPI performance for the Finance Service.

Table 7: Finance KPI Summary Performance

Finance KPI Performance Level	June 2016 (no of KPIs)	July 2016 (no of KPIs)	August 2016 (no of KPIs)	September 2016 (no of KPIs)
Target Service Level achieved	2	2	2	2
Minimum Service Level achieved	0	0	0	0
Below Minimum Service Level	1	1	1	1
Mitigation Agreed	0	0	0	0
TOTAL	3	3	3	3

Results in August and September maintained the performance seen since April 2016, which continues to be Serco's best since contract commencement, meeting two of the three TSLs for the Finance service KPIs.

F_KPI_01 (*% of Undisputed invoices paid in accordance with vendor terms*) remains in red status for both August (68.82%) and September (55.80%). This is still some way off meeting its TSL of 95%. Serco suggest that failure against this KPI is partly down to LCC staff not authorising payments in a timely fashion. Both Serco and LCC have committed, as part of the KPI review agreement, to examine the service provided by Serco and understand the effect LCC staff are having, to identify any shortfalls and create improvement plans. Once the Council is satisfied that the service is as expected, it will consider changes to the KPI and/or method of measurement.

8. KPI Performance failure - Effect on LCC Services

The table below tabulates the effect on LCC Service provision for the KPIs where MSL was not achieved in August and/or September 2016.

Table 8: Effect on LCC Services where performance measured against a KPI has failed to meet MSL

Failed KPI (August / September 2016)	Short Description	Effect of performance failure on LCC	Estimated date for resolution
PM_KPI_02	% of errors in Payments (caused by the Service Provider) identified and resolved per month	The Service Provider is unable to provide full assurance to the Council that it is providing an accurate, timely and comprehensive Payroll service for the staff of the Council and therefore this leads to the Council not fulfilling all of the payroll statutory obligations in connection to the employment and payments of its workforce.	It is expected that reporting against this KPI will be available in December 2016 subject to final sign-off the KPI review
PM_KPI_03	% of Payment Deductions paid within Third Party Payment Date per month	The Service Provider is unable to provide full assurance to the Council that it is providing an accurate, timely and comprehensive Payroll service for the staff of the Council and therefore this leads to the Council not fulfilling all of the payroll statutory obligations in connection to the employment and payments of its workforce.	It was expected to achieve this KPI for the month of October, however due to an issue that resulted in Agresso not being available. the RTI was not submitted to HMRC on payment date (23 rd Oct). Please Note: The payment was made to HMRC by the 28 th Oct.
PM_KPI_04	% Avoidable People Management Contact Rate per month	The method/process to capture evidence for Avoidable Contact has not been agreed between the parties. The effect this has on the Council is that it is unable to measure how the Service Provider is performing in relation to the development and maintenance of an efficient and effective interface between the Council's managers and staff and the Service Provider. Furthermore the Council is unable to monitor whether or not standardised processes are being utilised and if employees and managers are effectively using the self-service; as this would ultimately lead to continuous improvement of the service in terms of effectiveness and value for money	As part of the KPI re-negotiations the proposal is to remove this KPI and replace with an SLA based KPI which we anticipate to report against in December subject to final sign-off of the KPI review

Failed KPI (August / September 2016)	Short Description	Effect of performance failure on LCC	Estimated date for resolution
PM_KPI_05	% People Management First Contact Resolution Rate per month	The measurement of this KPI is not agreed. The Council is clear that first contact must be just that, so that the call is not passed back to Serco or LCC back office to be answered or for fulfilment activity. Without agreement the KPI defaults to failure. The effect this has on the Council is that it is unable to measure how the Service Provider is performing in relation to the development and maintenance of an efficient and effective interface between the Council's managers and staff and the Service Provider.	It is expected that reporting against this KPI will be available in December 2016 subject to final sign-off the KPI review
IMT_KPI_05	Number of Priority 1 Incidents reported to Service Desk	Priority 1 Incidents are related to where systems which are considered critical to the services which are unavailable, or a high number of people are affected by an IT issue. The IT issues counted by this KPI effectively prevent key Council services from being delivered. The number of outages has a dramatic effect on the Council's ability to deliver services and may have reputational consequences.	Serco are working on service improvement plans to assist in achieving this KPI. The estimated date for resolution is April 2017.
IMT_KPI_11	% of project milestones achieved each month	This KPI measures the delivery of IT projects with appropriate governance, and that they are delivered on time. Due to the complexity of IT, in many cases the delay on one project can have a detrimental effect on many others. At present the project delivery team are working towards delivering this overarching view of dependencies which will allow the Council to have the assurance it requires. Many of these dates are in the process of being developed and agreed with the Council. Many service areas are dependent on key projects to bring efficiencies to bear and to reduce operating costs.	Reporting will be available from December 2016

Failed KPI (August / September 2016)	Short Description	Effect of performance failure on LCC	Estimated date for resolution
F_KPI_01	% of Undisputed invoices paid in accordance with vendor terms	This KPI motivates Serco to pay Suppliers invoices within their payment terms usually ranging from immediate to 28 day payment. Failure to pay our Suppliers on time can result in Suppliers withdrawing contracted goods or services and thus can lead to disruption to LCC Services and ultimately can affect our customers.	LCC and Serco will be working closely over the next 3 months to review the process around this KPI. It is anticipated that we will have either a revised KPI or relevant mitigations against this KPI in place once the outcomes of the findings have been addressed and agreement of this approach has been formally signed-off April 2017

9. KPIs granted Mitigation Relief

The table below details the background/reasoning for the grant of mitigation relief against two KPIs in August and four KPIs in September 2016.

Table 9: Details of KPI Mitigation Relief

KPI Ref No	KPI Short Description	Reason for the granting of Mitigation Relief
PM_KPI_08	% of managers rating their experience of contact as "Good" or better per month	To measure this KPI, it was originally agreed between parties that a minimum sample size of 20 surveys would be required to ensure a representative and reliable result. This minimum requirement was not met in August or September thus LCC granted relief. As the survey is limited to a relatively small pool of managers it is difficult to achieve the minimum response rate and often as a result the KPI is not measured. As part of the KPI refresh exercise, Serco has agreed to remove the minimum response rate requirement.
CSC_KPI_04	% of total Calls that are Abandoned Calls	During September and October the CSC have scheduled around 900 hours of Mosaic training for their staff. Whilst they scheduled it in in the most intelligent way possible to minimise the impact on operations, a training exercise of this extent has had a large impact on their overall capacity. For the training to be effective it must be delivered in the immediate go live of Mosaic which was due in October. In recognition of this, LCC has given Serco relief against CSC_KPI_04 in September and agreed partial relief in October in the form of a revised TSL of 15% (normal TSL of 7%)

KPI Ref No	KPI Short Description	Reason for the granting of Mitigation Relief
CSC_KPI_08	% of Council Service Teams rating the quality of service received as "Good" or better per month	Due to the low number of survey returns (min 20 responses required) in September, it has been agreed between LCC/Serco that mitigation is given for this month.
CSC_KPI_09	% of carers assessments (reviews and new), as completed by the CSC, completed accurately and within 20 Business Days	During September and October the CSC have scheduled around 900 hours of Mosaic training for their staff. Whilst they scheduled it in the most intelligent way possible to minimise the impact on operations, a training exercise of this extent has had a large impact on their overall capacity. As a result of this some of the control which Serco were able to exercise in scheduling Carers Support Assessment has been reduced. In recognition of this LCC has given Serco relief against CSC_KPI_09 in September and partial relief in October by reducing TSL to 95% (from 100%) and MSL to 95% (from 100%).

10. KPI Review

A proposed agreement has been reached between Serco and LCC on the KPI review. Details of this agreement have been provided within a separate 'KPI Review' committee report.

11. KPI Performance Overview

Overall the CSS Contract KPI performance levels remain below expectations and the results over the last 2 months results have moved backwards somewhat although in part this is due to the impact of the planned Mosaic implementation. In particular, this has impacted performance in the CSC where an ongoing and significant training programme is being undertaken by Serco to ensure its Call Centre Advisors are ready for the new adult care system. Where appropriate and reasonable, LCC has granted relief against Service Credits for KPIs affected by Mosaic.

12. Current Serco Projects

Appendix B (Projects in Progress with Serco) provides information on the key projects being undertaken by Serco and provides a progress update against each. This was presented to the Recovery Group held on 18th October 2016.

13. Consultation

a) Policy Proofing Actions Required

This report does not require policy proofing.

14. Appendices

These are listed below and attached at the back of the report	
Appendix A	CSS Contract Performance Dashboard (rolling 12 month period)
Appendix B	Projects in progress with Serco
Appendix C	Payroll Contacts Received by Serco (November 2015 – September 2016)

15. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Judith Hetherington Smith who can be contacted on 01522 553603 or at Judith.hetheingtonsmith@lincolnshire.gov.uk.

Appendix A – CSS Contract Performance Dashboard (rolling 12 month period)

Notes:

1. Data not available (with red status) – Where Serco provide insufficient or inaccurate performance data to establish that the required service levels have been met those KPIs affected are allocated a red status i.e. MSL has not been achieved. These KPIs are recorded as "data not available" in the tables below and in these instances, the KPI attracts the full amount of abatement points and thus the maximum service credit is applied to the Monthly Payment to Serco.
2. Not measured / Mitigation Agreed (with blue status) – The blue colour indicates mitigation, or in initial contract months a "glide" period; this means that because of a dependency outside of Serco's control e.g. implementation of Mosaic; it is not appropriate to expect the agreed targets to be fully met. In some instances performance was still recorded but abatement points were not applied. Abatement points effect the level of service credits applied to the Monthly Payment to Serco.

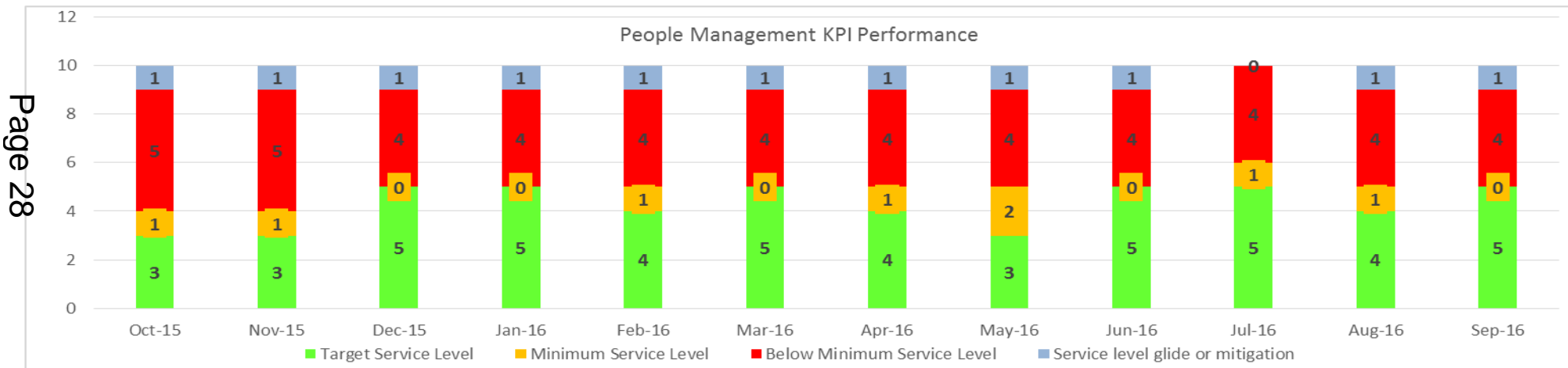
People Management (PM) Service

PM KPI Performance Results

KPI	KPI Short Desc	Freq.	TSL	MSL	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar- 16	Apr-16	May 16	Jun - 16	Jul - 16	Aug - 16	Sept - 16
PM_KPI_01	% of Payroll Recipients paid on the Payment Date per month	M	99.9	99	99.97	Data not available	99.98	99.95	100.00	99.95	99.98	99.76	100.00	99.97	99.98	99.90
PM_KPI_02	% of errors in Payments (caused by Service Provider) identified and resolved per month	M	100	99	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
PM_KPI_03	% of Payment Deductions paid within Third Party Payment Date per month	M	100	100	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	96.88	96.88	96.88	93.33	96.77	93.33
PM_KPI_04	% Avoidable People Mgt Contact Rate per month	M	15	20	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
PM_KPI_05	% People Mgt First Contact Resolution Rate per month	M	85	80	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available
PM_KPI_06	Number of People Mgt. Records assessed in Spot Checks to contain errors, omissions or inaccuracies	M	1	3	Data not available	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PM_KPI_07	% of recruitments via electronic vacancy form taking 40 Business Days or less from Authorisation to Appointment to Post	M	99	96	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
PM_KPI_08	% of managers rating their experience of contact as "Good" or better per month	M	95	90	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	95.24	Mitigation Agreed	Mitigation Agreed
PM_KPI_09	% of Employees rating their experience of L & D as "Good" or better per month	M	95	90	92.65	93.33	100.00	97.88	91.79	96.48	90.00	94.23	97.00	94.53	91.28	95.73
PM_KPI_10	% of projects/interventions that reduce sickness absence levels delivered on time and in accordance to agreed requirements	M	90	80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

People Management KPI Performance Overview

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Target Service Level	3	3	5	5	4	5	4	3	5	5	4	5
Minimum Service Level	1	1	0	0	1	0	1	2	0	1	1	0
Below Minimum Service Level	5	5	4	4	4	4	4	4	4	4	4	4
Service level glide or mitigation	1	1	1	1	1	1	1	1	1	0	1	1
Total	10	10	10	10	10	10	10	10	10	10	10	10



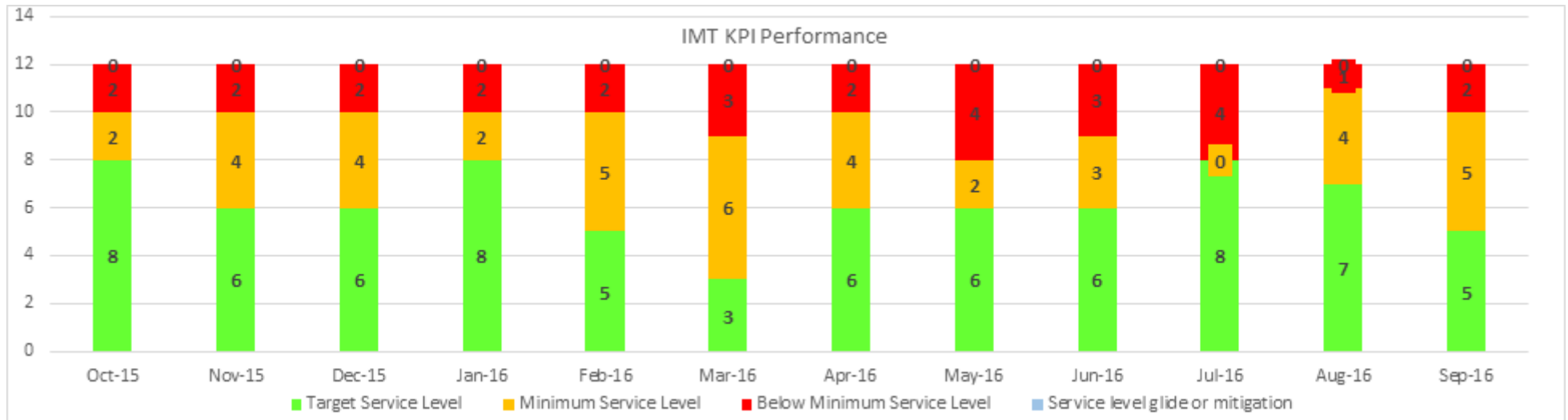
Information, Management & Technology (IMT) Service

IMT KPI Performance Results

KPI	KPI Short Desc	Freq.	TSL	MSL	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May 16	Jun -16	Jul -16	Aug - 16	Sept - 16
IMT_KPI_01	% Users are able to raise Incidents and make Service Requests (Service Availability?) during Service Desk Hours	M	100	97.5	99.99	99.98	99.89	100.00	99.69	99.97	100.00	100.00	100.00	100.00	99.07	99.80
IMT_KPI_02	Priority 1 Incidents not Resolved within Resolution Time	M	1	5	0.00	2.00	3.00	2.00	3.00	5.00	2.00	6.00	3.00	1.00	4.00	5.00
IMT_KPI_03	Priority 2 Incidents not Resolved within Resolution Time	M	3	5	0.00	0.00	0.00	0.00	0.00	3.00	1.00	0.00	1.00	1.00	1.00	1.00
IMT_KPI_04	Priority 1 VIP Incidents not Resolved within Resolution Time	M	1	5	0.00	1.00	3.00	0.00	3.00	3.00	1.00	1.00	0.00	0.00	3.00	3.00
IMT_KPI_05	Number of Priority 1 Incidents reported to Service Desk	M	1	5	1.00	3.00	2.00	4.00	4.00	8.00	5.00	11.00	6.00	1.00	9.00	7.00
IMT_KPI_06	Number of Priority 2 Incidents reported to Service Desk	M	3	5	1.00	1.00	1.00	1.00	1.00	5.00	5.00	0.00	4.00	8.00	1.00	2.00
IMT_KPI_07	% Availability of Platinum Applications & Specified Services	M	99.8	99.3	99.99	99.94	99.99	99.99	99.94	99.70	99.99	99.73	99.98	100.00	99.95	100
IMT_KPI_08	% Availability of Gold Applications & Specified Services	M	97.5	95	100.00	100.00	100.00	100.00	100.00	99.54	99.83	99.36	100.00	99.64	100.00	100.00
IMT_KPI_09	% Achievement of Service Request Fulfilment within Service Request Fulfilment Time	M	95	85	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not agreed	Data not agreed	Data not available	95.74	85.00
IMT_KPI_10	% of CMDB Changes applied within 14 Core Support Hours of the move or change	M	100	90	92.58	95.42	100.00	100.00	90.30	98.32	90.82	95.57	90.00	83.52	96.41	97.27
IMT_KPI_11	% of project milestones achieved each month	M	85	70	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available	Data not agreed	Data not available	Data not available	Data not available
IMT_KPI_12	% of users who score the IT Service as "Good" or above for IT Incident handling	M	70	50	83.70	86.00	87.40	86.30	90.00	84.00	91.40	90.20	89.30	91.50	89.00	78.90

IMT KPI Performance Overview

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Target Service Level	8	6	6	8	5	3	6	6	6	8	7	5
Minimum Service Level	2	4	4	2	5	6	4	2	3	0	4	5
Below Minimum Service Level	2	2	2	2	2	3	2	4	3	4	1	2
Service level glide or mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Total	12	12	12	12	12	12	12	12	12	12	12	12



Customer Service Centre (CSC) Service

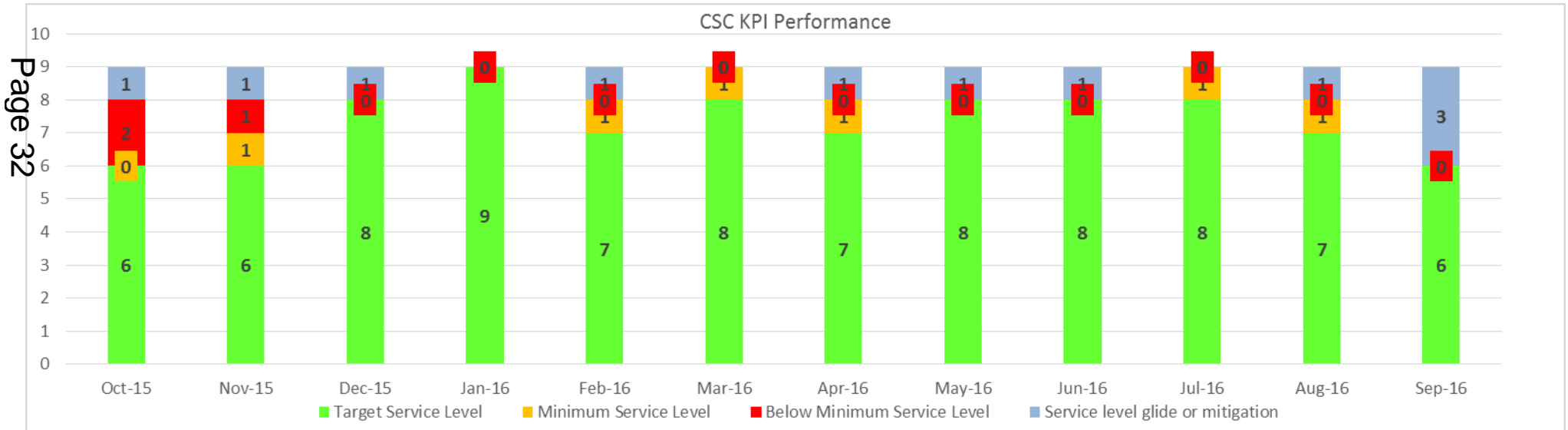
CSC KPI Performance Results

KPI	KPI Short Desc	Freq.	TSL	MSL	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May 16	June -16	July -16	Aug -16	Sept -16
CSC_KPI_01	% of all Contacts received through Digital Access Channels per month	M	10	7	39.20	43.50	43.10	37.13	34.53	37.13	38.08	41.02	37.56	41.55	39.79	38.21
CSC_KPI_02	% of Contacts received and Resolved via Digital Access Channel per month	M	90	85	94.40	98.63	97.58	98.70	95.44	99.34	99.56	99.47	96.85	97.23	99.79	97.95
CSC_KPI_03	% avoidable Contact Rate per month - consolidated...	M	15	20	7.70	6.30	6.20	7.59	5.64	6.19	7.16	7.58	6.61	4.69	6.01	9.14
CSC_KPI_04	% of total Calls that are Abandoned Calls	M	7	10	12.40	9.74	5.04	6.27	7.50	9.94	7.69	6.12	Mitigation Agreed	8.77	9.85	Mitigation Agreed
CSC_KPI_05	% of Contacts referred to in CSC_PI_01, _02 & _03 responded to within timescale per month	M	95	90	100.00	100.00	100.00	99.99	99.84	100.00	100.00	100.00	100.00	99.97	99.11	100.00
CSC_KPI_06	% First Contact Resolution Rate	M	85	80	92.40	93.60	94.90	94.78	94.47	95.42	94.97	95.30	94.12	93.78	94.42	94.50
CSC_KPI_07	% of Customers rating their experience of contact as "Good" or better per month	M	90	85	97.00	97.00	98.00	97.67	97.65	97.03	96.50	96.56	96.77	96.87	95.62	92.76
CSC_KPI_08	% of Council Service Teams rating the quality of service received as "Good" or better per month	M	85	80	Mitigation Agreed	Mitigation Agreed	Mitigation Agreed	88.08	Mitigation Agreed	90.24	Mitigation Agreed	Mitigation Agreed	100.00	100.00	Mitigation Agreed	Mitigation Agreed
CSC_KPI_09	% of carers assessments (reviews and new), as completed by the CSC, completed accurately and within 20 Business Days	M	100	100	93.90	97.00	100.00	100.00	100.00	100.00	100.00	99.24*	99.35*	100.00*	100.00	Mitigation Agreed

* For the months of May, June and July 2016 agreement has been made to lower the TSL and MSL for CSC_KPI_09 due to the impact of the change to service provider for carer's assessment. Revised change is TSL 95% and MSL 90%

CSC KPI Performance

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Target Service Level	6	6	8	9	7	8	7	8	8	8	7	6
Minimum Service Level	0	1	0	0	1	1	1	0	0	1	1	0
Below Minimum Service Level	2	1	0	0	0	0	0	0	0	0	0	0
Service level glide or mitigation	1	1	1	0	1	0	1	1	1	0	1	3
Total	9	9	9	9	9	9	9	9	9	9	9	9



Adult Care Finance (ACF) Service

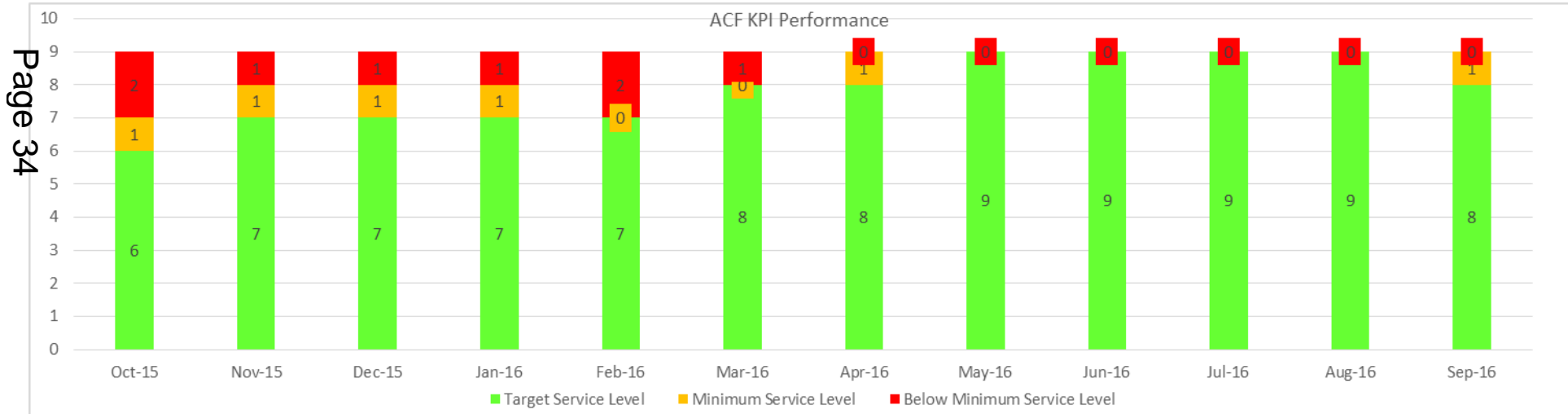
ACF KPI Performance Results

KPI	KPI Short Desc	Freq.	TSL	MSL	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar- 16	Apr-16	May - 16	Jun -16	Jul -16	Aug -16	Sept -16
ACF_KPI_01	% of ACF First Contact Resolution Rate per month	M	85	75	89.21	90.00	97.40	97.16	98.07	98.48	96.05	92.65	98.97	99.42	98.26	98.79
ACF_KPI_02	% of Adult Care service users within checking sample, requiring financial assessment, where Adult Care Services Contribution is accurately identified	M	99	90	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
ACF_KPI_03	% of new, and change of circumstance, financial assessments for non-res care completed within 15 Business Days of referral from the Council	M	75	60	85.44	71.54	65.57	73.55	85.01	82.74*	82.86*	68.39*	91.46	87.98	84.82	71.35
ACF_KPI_04	% of new, and change of circumstance, financial assessments for residential care completed within 15 Business Days of referral from the Council	M	75	60	74.08	77.70	76.43	79.50	77.71	87.08*	86.60*	83.82*	84.83	85.65	89.09	83.79
ACF_KPI_05	% of Adult Care Service Users who receive their first Direct Payment within 10 Business Days of referral from the Council	M	95	80	100.00	100.00	100.00	100.00	77.78	95.50	94.50	100.00	100.00	100.00	100.00	100.00
ACF_KPI_06	% of Adult Care Income due which is more than 28 days old	M	5	10	Data not available	87.90	Data not available	Data not available	91.49	89.85	1.63	1.06	1.17	1.56	3.01	2.02
ACF_KPI_07	% of cases where necessary paperwork to enable Council's legal services to secure charges are submitted within time	M	100	90	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
ACF_KPI_08	% of court protection and apointeeship cases that have been actioned correctly and commenced within 5 Business Days of referral	M	90	85	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
ACF_KPI_09	% of Adult Care Finance Users rating their experience of contact with the Council as "Good" or better per month	M	95	90	87.83	98.19	97.67	98.95	97.53	98.40	98.69	97.89	98.84	98.32	97.00	97.98

* For the months March 16 – May 16 agreement was made to lower the TSL to 65% (from 75%) of ACF_KPI_03 and ACF_KPI_04 as a result of additional work being undertaken by Serco on the contribution policy change introduced by LCC

ACF KPI Performance

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Target Service Level	6	7	7	7	7	8	8	9	9	9	9	8
Minimum Service Level	1	1	1	1	0	0	1	0	0	0	0	1
Below Minimum Service Level	2	1	1	1	2	1	0	0	0	0	0	0
Service level glide or mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Total	9	9	9	9	9	9	9	9	9	9	9	9



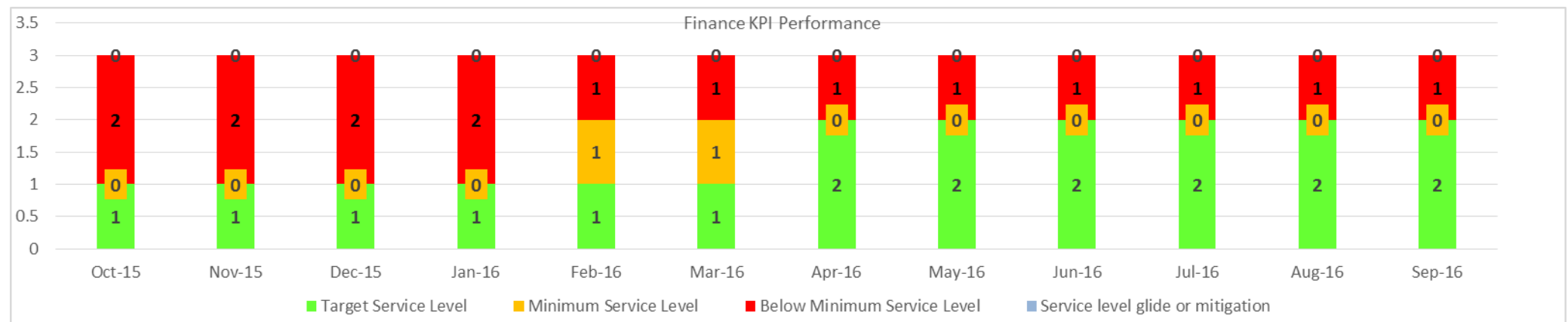
Finance Service

Finance KPI Performance Results

KPI	KPI Short Desc	Freq.	TSL	MSL	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	June-16	July-16	Aug-16	Sept-16
F_KPI_01	% of Undisputed invoices paid in accordance with vendor terms	M	95	80	34.85	30.35	57.89	Data not available	39.11	48.80	55.71	55.73	63.05	68.83	68.82	55.80
F_KPI_02	% of payment runs executed to agreed schedule (as agreed one Business Day in advance)	M	100	95	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
F_KPI_03	% of debt (exc. Adult Care Income and Health Auth. Debt) collected and paid in to relevant Council Account(s) within 30 days of invoice being issued	M	90	70	Data not available	28.00	66.90	Data not available	78.24	71.51	100.00	90.02	100.00	94.46	100.00	100.00

Finance KPI Performance Overview

	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Target Service Level	1	1	1	1	1	1	2	2	2	2	2	2
Minimum Service Level	0	0	0	0	1	1	0	0	0	0	0	0
Below Minimum Service Level	2	2	2	2	1	1	1	1	1	1	1	1
Service level glide or mitigation	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	3	3	3	3	3	3	3	3	3	3	3



Appendix B - Projects in progress with Serco

The table below shows the outcomes being delivered for the Council; each outcome may require the delivery one more than one project. The individual projects (shown previously) are managed through the technical and project delivery boards. This view is intended to show the impact on the Council's services.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
External customers / citizens of Lincolnshire	1. Online booking of driver training courses – reducing need to call the CSC.	14/12/16	The Channel Shift initiatives which will enable people to book driver training courses, purchase online highways licences and book Registrar appointments are progressing. We have now switched to SagePay to deliver the payment gateway and this is now proceeding to plan – although we have incurred a few days delay.
	2. Online fault reporting for Highways issues – improvements to current service.	25/10/16	
	3. Online booking of appointments for Registrars services and online ordering of certificates.	4/1/17	
	4. Online purchase of Highways licences.	31/03/2017	
	5. Online application for Blue Badges	Awaiting national guidance	
	6. New website – improve ability to present and search for information	Q1 2017	The project delivering the new website has resolved the issues impacting the deployment and use of the development environment and the team are focused on speeding up the remainder of the project.
	7. Replacement of Children's Services system Edica – used by parents for schools admissions	Q3 2017	The options paper on the Edica Replacement solution has been issued to LCC. LCC have advise they will start their review of options on week commencing 24 th October.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
Financial and HR Services / internal efficiency and ease of use for staff	1. Upgrade of the Agresso system to improve efficiency and accuracy of the finance and HR services.	30 Nov 2016	The stabilisation and rectification of the Agresso system is proceeding to plan. This incorporates a version update to v4.7 and, along with remediation of identified issues within payroll and financial processes, and will also support the process improvements within both Financial Services and HR/Payroll. Testing is underway and progressing as scheduled.
	2. Process improvements in financial services	Q1 2017	In addition to the ongoing Agresso rectification and update project, the project to review and optimise the Accounts Payable processes is in early scoping.
	3. Process improvements in HR and Payroll	<ol style="list-style-type: none"> 1. 15/03/2017 2. 21/10/2016 3. 15/03/2017 4. 15/02/2017 5. 15/01/2017 6. 15/03/2017 7. 15/02/2017 8. 15/03/2017 9. 31/03/2017 	The People Management optimisation workstream has been defined into 9 distinct projects, and are at early delivery stages (scoping and planning): <ol style="list-style-type: none"> 1. Recruitment Redesign 2. Data Modelling Optimisation 3. Employee Lifecycle Redesign 4. Organisational Restructures 5. Absence Management 6. Payments & Deductions 7. Grievance & Disciplinary Process 8. Workforce Planning & Talent Management 9. Reporting review & Business Intelligence Systems

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
	4. Automatic integration of e-training with Agresso training record – better ability to monitor staff training	24 Oct 2016	Test environment will be ready for testing on 19 th Sept. Testing is due to take place over a 2 week period and signed off on 30 th Sept. Once this is complete, the interfaces will be built into the live environment ready for service go-live on 24 th October.
Adults and Children's Services	1. Improved efficiency for staff – Mosaic	31 Oct 2016	Serco has continued to support the CMPP programme towards a successful go-live of the Mosaic system. All critical technical deliverables are either complete or on track. Current activities have focused on completing training of operational and system support staff. Preparations and activities relating to Service take-on and business readiness continue.
Highways	1. Introduce Permits for Highways use and mobile staff devices	5 Oct 2016	Serco have provided a prompt and effective response to LCC's request to upgrade Confirm to v16 and provide mobile device access to the Highways department users. The desired go-live date of 5 th Oct has been successfully achieved ensuring the LCC will be able to reach its aim of becoming a permitting authority.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
Technology improvements	1. Provision of replacement mobile phones for staff	Rollout starts 21 Nov 2016	The mobile phone replacement rollout was delayed due to technical issues caused by Airwatch system compatibility issues with the latest Microsoft software update. The project team have worked with both Airwatch and Microsoft to identify the fix for this issue. This is now in testing and the rollout is due to recommence on week commencing 21 November for the initial tranche of 200 mobiles and is expected to be complete by the end of November. The rollout of the remaining 1800 mobiles is currently in planning and will follow on once agreement on this has been reached with LCC stakeholders.
	2. Provision of improved access to the internet	14 Oct 2016	The Web Access Modernisation project is on track and will complete the rollout to all users as scheduled on 14 th October.
	3. Provision of Windows tablets for mobile staff	16 Dec 2016	The initial pilot of 200 Windows tablets will be rolled out to Social Care users for Mosaic field enablement from mid-December.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
	4. Delivery of network improvements	TBC	The development and enhancement of the LCC network and infrastructure is at the core of current operations and Serco is working very closely with LCC's Chief Architect to deliver his long-term goal of an up-to-date, fast and efficient network. To that end a number of initiatives have already been delivered around removing redundant processes or paths within the network that have been slowing down traffic. In addition network flow is being targeted by the improved and extended use of monitoring tools to more speedily identify and so resolve bottlenecks or issues whilst further work is being done to strengthen the network's immediate resilience by adding additional capabilities and removing single points of failure, for example recent upgrades performed at Witham Park House.
	5. Delivery of security improvements and ISO27001	26 Oct 2016	The project to deliver the Information Security Management System, which involves accreditation through independent audit, is in progress and expected to complete by the end of October, subject to final audit findings. The initial audit has been completed and returned positive results giving us a reasonable level of confidence that accreditation is achievable as planned.
	6. Provision of replacement desktops for staff	31/03/2017	The PC Refresh project is due to complete the rollout of the first tranche of 650 desktop and laptops by 31 st March 2017.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
	7. Upgrade of telephony – for security purposes	Q1 2017	LCC and Serco are currently finalising the approach for this project
	8. Preparation of Lancaster House for staff use	30 Nov 2016	Technical design documentation has been issued for review by LCC. The detailed planning for the proof of concept implementation is in development.
	9. Support to provision of new printers/photocopiers/scanners – cost saving	TBC	Project currently being agreed.
	10. Close down of SAP – securing historic data – removes risk	31 Dec 2016	A detailed analysis and review of legacy SAP data access and usage by operational users has been completed. A review of the appropriate technical solutions to meet these business requirements is expected to be deployed by the end of this year, enabling the SAP system to be fully decommissioned.
	11. Enterprise data warehouse – increasing ease and efficiency of reporting across Council data	31 Dec 2016	The Enterprise Data Warehouse (EDW) project has completed the delivery of the core Master Data management system which now enables the project team to focus on delivering specific EDW reporting for planned business requirements. This is scheduled to complete the core deliverables by the end of this year.
	12. Data centre relocation – improving resilience in the event of system failure/disaster	19 Dec 2016	The Data Centre migration project has continued to progress according to the agreed plan. Each tranche of system migrations are carefully planned and agreed with LCC stakeholders. The project is scheduled to complete by the end of this year.

Service Area	Outcomes to be delivered	Expected date for delivery of outcome	Update
	13. Identity management – including management of starters, movers and leavers – security and efficiency improvements	Q2 2017	Scope and approach for the Microsoft Identity Management project has been generally agreed between LCC and Serco. The Project Initiation Document has been submitted and the project will proceed once formal approval has been provided.
	14. Improved system for reporting HR and IT issues – easier for staff to use and more efficient to manage	31 Dec 2016	The delivery of MyPortal will provide enhancements to users reporting IT and HR issues. Online reporting capability will provide an easier user experience and enable a more effective response to be provided. This is scheduled for completion by the end of Dec. Internal development and system testing is complete for the reporting of systems issues for general IT and Mosaic. MyIT is scheduled to go live 17/10.

Appendix C – Payroll Contacts Received by Serco (November 2015 – September 2016)

Notes:

1. The table below details the contacts made by corporate staff and schools staff separately and then provides a total of the two categories of contact.
2. Additionally the table provides detail of how many of the contacts received have been resolved and what number remains outstanding.
3. The final row of the table provides an overall resolution rate for contacts received for both schools and corporate staff.
4. The information provided in the table below was correct as of 25/10/2016.

Payroll Contacts Received by Serco	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	April 2016	May 2016	June 2016	July 2016	Aug 2016	Sept 2016
Corporate Contacts (of which Resolved / Outstanding)	742 (741/1)	427 (427/0)	466 (465/1)	552 (550/2)	544 (542/2)	532 (530/2)	467 (464/3)	308 (298/10)	184 (175/9)	219 (213/6)	212 (187/25)
School Contacts (of which Resolved / Outstanding)	514 (514/0)	408 (408/0)	388 (388/0)	527 (527/0)	828 (828/0)	853 (837/16)	464 (415/49)	262 (233/29)	167 (105/62)	320 (182/138)	464 (149/315)
Total Contacts (of which Resolved / Outstanding)	1256 (1255/1)	835 (835/0)	854 (853/1)	1079 (1077/2)	1372 (1370/2)	1385 (1367/18)	931 (879/52)	570 (531/39)	351 (280/71)	539 (395/144)	676 (336/340)
Overall Resolution Rate (%)	99.92	100.00	99.88	99.81	99.85	98.70	94.41	93.16	79.77	73.28	49.70

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**Open Report on behalf of Judith Hetherington Smith
Chief Information and Commissioning Officer**

Report to:	Value for Money Scrutiny Committee
Date:	22 November 2016
Subject:	Corporate Support Services Contract - KPI Review 2016/17

Summary:

This report summarises the review of the Corporate Support Services Key Performance Indicators for the contract carried out by the Chief Information and Commissioning Officer in discussion with Serco and proposes changes to some of those Key Performance Indicators as set out in the report.

Serco's performance against contractual Key Performance Indicators for August and September 2016 is set out in a separate report to the Committee.

Actions Required:

Members of the Value for Money Scrutiny Committee are invited to note the contents of the report and asked to highlight any recommendations or further actions for consideration in relation to the proposed changes to the Corporate Support Services Key Performance Indicators.

1. Background

- 1.1 The Corporate Support Services (CSS) Contract contains 43 Key Performance Indicators (KPIs) which have been used to measure Serco's performance since they took over operational responsibility for the delivery of services in April 2015.
- 1.2 Over the last few months, Serco and the Council have been carrying out a review of the existing KPIs. Such reviews are anticipated in the contract. This report summarises the review and sets out the key proposed changes to the existing set KPIs.

2. Purpose

- 2.1 It is usual practice on strategic and complex contracts of this sort for both parties to reserve the right to suggest the introduction of new KPIs, and the amendment or deletion of existing KPIs. The purpose of such a review is to ensure that the KPIs remain relevant and meaningful throughout the life of the contract. Having an up to date and meaningful suite of KPIs encourages good performance and focuses the Contractor's attention on key areas of service provision.

3. Underlying Principles

- 3.1 As part of the review process Serco and the Council agreed that adopting some principles might help come up with a proposed new set of KPIs which would then have to be agreed by both organisations before they could replace the existing set. They are;
- that the Key Performance Indicators following the review would be as challenging in the round as the existing 43 Key Performance Indicators
 - that we measure the things that matter
 - that we avoid changes which increased the performance management burden and ideally would adopt measures that could be reported on electronically
 - that Serco would be measured on activities within its control/influence
- 3.2 Additionally, there is no intention to reduce/lessen the Service Credit regime in place. Whilst the number of KPIs may vary as a result of the review there will always be 1000 Abatement Points associated with them. It is the Abatement Points that determine the amount of deductions that are made from the contract payment for failures to meet the Target Service Level (TSL) and/or Minimum Service Level (MSL).

4. Measurement

- 4.1 The KPIs set out what is to be measured and the contract's 'Book of Measures' sets out the method of measurement. In particular it looks at the arithmetical calculation or formula which underpins the measurement, the source and nature of the supporting data and any exclusions which will not be measured. Since the Book of Measures was originally agreed between Serco and the Council in April 2015 the operation of the contract has identified ambiguities and revealed some areas where the Book of Measures could be improved upon.
- 4.2 Under the contract Serco must provide comprehensive, reliable and high quality information to support its performance against the Key Performance Indicators, if it fails to do so Serco is treated as having failed the relevant Minimum Service Level (MSL). This is recorded in the Value for Money reports as "Data Not Available" which can mean (i) no information has been provided or (ii) the information provided is not comprehensive, reliable or high quality. "Data Not Available" has been applied to a number of the red Key Performance Indicators where the method of measurement has not been agreed in sufficient detail e.g. PM KPI 05.
- 4.3 As part of the KPI review, both parties have looked again at the Book of Measures and have provided additional clarity. In most cases the proposed changes are reasonably minor. In a few cases where the changes are significant and worthy of comment they are referred to below in Tables 1-5 below. The hope is that there will be fewer reported incidents of "Data Not Available". This is beneficial for the Council as it enables performance to be measured reliably and for Serco so that it is clear what constitutes comprehensive, reliable and high quality information to demonstrate performance.

5. Proposed Changes

5.1 People Management (PM)

Appendix 1 to the report provides a high level overview of the proposed changes to the People Management KPIs.

Table 1 below provides further information and expands on the proposed changes to the People Management KPIs. Depending on the nature of the change it is sometimes easier to show by including the existing KPI and on other occasions it is better to show the proposed KPI. The bold/underline type indicates proposed changes to the existing KPI. Where a KPI is not referred to in Table 1 it is because no change is proposed to that KPI.

Table 1: Proposed changes to PM Key Performance Indicators and Book of Measures

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 02	TSL 100 MSL 99	Proposed KPI % of errors in payments (caused by the Service Provider) identified and resolved <u>by the following payment date.</u>	TSL 100 MSL 99	The proposal is to change the KPI so it allows Serco to correct errors by the following payment date rather than within the month. There are no changes to the TSL or MSL. There are changes to the Book of Measures. Serco has relied mainly on self-reporting by staff to identify errors. The Council has been anxious to have proactive data checks undertaken prior to the payroll run. Serco has now agreed to such proactive checks and will spot check 1% of the Payroll Records for each Payroll each month. The spot check and other records in addition to self-reporting will be part of the performance verification.
<p>Reason for proposed change to PM KPI 02</p> <p>The KPI change recognises the impracticality of resolving errors spotted at the end of the month within that same month. Instead it will be measured in tandem with the payroll payment cycle. The additional measurement information checks will help pick up errors more proactively and provides the Council with increased confidence as to the accuracy of payments.</p>				

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 04	TSL 15 MSL 20	Existing KPI Avoidable People Management Contact Rate in each month.	N/A	It is proposed to delete this KPI and replace it with PM_KPI_11. The new KPI will monitor a service level agreement (SLA) agreed between Serco and LCC which details a number of activities and their timescales for resolution.

Reason for proposed deletion of PM KPI 04

The intention of the existing KPI is to measure the avoidable contacts or unnecessary contacts received by Serco. Avoidable contacts are defined to include matters such as progress chasing and the Council having to repeat information given previously. This type of KPI is more commonly seen in contact centres where contacts are less complex and can be resolved quickly by generic staff. It is more difficult to apply when contacts have a higher degree of complexity and require detailed investigation. Further it is the Serco staff member receiving the contact who decides whether the contact falls into an avoidable contact category and so there is an element of subjectivity in the measurement. In these circumstances the method/process to capture evidence for Avoidable Contact has not been agreed between the parties and the KPI has repeatedly shown as red "Data not available" which is unsatisfactory for both parties.

Instead the proposal is that Serco is measured against its performance of a number of activities set out in the Service Level Agreement (SLA) holding Serco to account across a range of activity required by the contract specification. This is more appropriate to the People Management function, is used elsewhere in the contract and on other Serco contracts.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 05	TSL 85 MSL 80	Proposed KPI People Management First Contact Resolution Rate of Tier 1 contacts in each month.	TSL 85 MSL 80	The proposed change to the KPI is identified in bold. If adopted this KPI will measure first contact resolution on Tier 1 contacts only. The intention is to increase the categories of Tier 1 contacts over time as the service matures.

Reason for proposed change to PM KPI 05

To date the measurement of the existing KPI has not been agreed and it has repeatedly shown as red "Data not available". The KPI is a measure of both the efficiency and effectiveness of the service. Consequently the Council is clear that first contact must be just that, so that the call is not passed back to Serco or the Council's back office to be answered or for fulfilment activity. Again this measure is used in the CSC where the types of contacts received are either reasonably standard or where the calls are answered by specialists (adult care). The People Management service is a mix of administration and professional advice. First contact resolution at the rates set out in the existing TSL and MSL are consistent with administration contacts. The service has therefore identified the Tier 1 (administration) contacts and the proposal is that the KPI only applies to Tier 1 contacts so that it is better aligned with the existing and challenging TSL and MSL.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 08	TSL 95 MSL 90	<p>Existing KPI</p> <p>Percentage of managers rating their experience of contact with the Service Provider across the range of Access Channels as Good or Very Good on a range of measures including:</p> <ul style="list-style-type: none"> • ease of contact with the Service Provider • speed of response • quality of advice provided • accessibility and accuracy of information and workforce/employee data • overall satisfaction with people management service <p>Measurement shall be by way of a monthly survey to managers using a five-point grading scale: Very Good, Good, Neither Good Nor Poor, Poor, and Very Poor.</p>	TSL 95 MSL 90	There are no changes to the KPI description or the TSL/MSL. However the Book Of Measures will be changed to remove the requirement for a minimum response rate of 20 surveys per month before performance against the KPI can be measured.

Reason for proposed change to PM KPI 08

Currently there is a minimum response rate set at 20. As the survey is limited to managers this is difficult to achieve and often as a result the KPI is not measured. This is recorded as "mitigation agreed". Serco has agreed to remove the minimum response rate requirement.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 09	TSL 95 MSL 90	<p>Existing KPI</p> <p>Percentage of Employees in any month rating their experience of Learning and Development as Good or Very Good on a range of measures including:</p> <ul style="list-style-type: none"> • ease of use • timeliness of administration • quality of learning provided • outcomes • overall satisfaction with learning and development <p>Measurement shall be by way of a transactional survey following each Learning and Development activity using a five-point grading: Very Good, Good, Neither Good nor Poor, Poor, Very Poor.</p>	N/A – KPI to be deleted	It is proposed to delete this KPI and replace it with PM_KPI_12. The new KPI is still a customer survey but has an extended scope to include recruitment, payroll, pensions, HR Admin in addition to Learning and Development.

Reason for proposed deletion of PM KPI 09

Serco has agreed to extend the scope of the KPI so that it includes Recruitment, Payroll, Pensions, HR Admin. Given experience to date it is particularly important to measure employees' experience of payroll and the extension of scope is positive. As the scope is now much wider PM KPI 09, this KPI reference will be deleted and replaced by PM KPI 12 so it is clear that this extended KPI is materially different from the existing one.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 10	TSL 90 MSL 80	<p>Existing KPI</p> <p>Percentage of projects or interventions designed to reduce the Council's sickness absence levels managed by the Service Provider in any month that are delivered on time and in accordance with the projects' or intervention's prior agreed and stated requirements.</p>	N/A – KPI to be deleted	The proposal is to delete this KPI.

Reason for proposed change to PM KPI 10

This KPI is only relevant when there are on-going sickness projects in train. The Council would prefer to focus on those KPIs which are always relevant each month and the parties have agreed to delete it and transfer the service credits elsewhere.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 11	N/A (New KPI)	Proposed KPI Percentage of People Management transaction activity completed within the relevant required timescale / target service level as detailed in the 'PM_KPI_11 Service Level Agreement'.	Minimum TSL of 80% and MSL of 75%. Final TSL/MSL targets to be determined by baselining exercise. Refer to section 6 (Baselining Period) of the report for more detail.	This new KPI replaces PM_KPI_04 above.

Reason for introducing PM KPI 11

As set out above, it is proposed to delete PM_KPI_04 and replace it with this KPI (PM KPI 11). Under PM KPI 11 the proposal is that Serco is measured against its performance of a number of activities drawn from the specification and set out in a Service Level Agreement (SLA) holding Serco to account across a range of activity. This is more appropriate to the People Management function, is used elsewhere in the contract and on other Serco contracts. TSL and MSL targets have been agreed at 80% and 75% respectively, however these targets are subject to change (upwards only) following a 'baselining period' described in section 6 of this report.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
PM KPI 12	N/A (New KPI)	<p>Proposed KPI</p> <p>Percentage of users in any month who score the PM My Helpdesk as 'good' or 'very good' in response to the way a People Management My Helpdesk has been managed on a range of measures including:</p> <ul style="list-style-type: none"> • Ease of contact with the Service Provider • Speed of response • Quality of advice provided • Accessibility and accuracy of information and workforce/employee data • Overall satisfaction with People Management Service <p>Measurement shall be by way of transactional survey following each activity (or sample rate as agreed with LCC) using a five-point grading: 'very poor', 'poor', 'neither good nor poor', 'good' and 'very good'.</p>	Minimum TSL of 80% and MSL of 75%. Final TSL/MSL targets to be determined by baselining exercise. Refer to section 6 (Baselining Period) of the report for more detail.	This new KPI replaces PM_KPI_09 above. It is still a customer survey but has an extended scope to include recruitment, payroll, pensions, HR Admin in addition to Learning and Development.

Reason for introducing PM KPI 12

As set out above, it is proposed to delete PM_KPI_09 and replace it with this KPI (PM KPI 12) The new KPI is still a customer survey but has an extended scope to include recruitment, payroll, pensions, HR Admin in addition to Learning and Development. As the scope of the survey is now much wider than PM KPI 09 which only looked at Learning and Development, the PM_KPI_09 reference will be deleted and replaced by PM KPI 12 so it is clear that this extended KPI is materially different from the existing one.

TSL and MSL targets have been agreed at 80% and 75% respectively, however these targets are subject to change (upwards only) following a 'baselining period' described in section 6 of this report.

5.2 Information Management Technology (IMT)

Appendix 2 to the report provides a high level overview of the proposed changes to the Information Management and Technology KPIs. Table 2 below provides further information and expands on the proposed changes to the IMT KPIs which are described in the same way as in Table 1.

Table 2: Proposed changes to IMT Key Performance Indicators

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
IMT KPI 01	TSL 100 MSL 97.5	Existing KPI Users are able to raise Incidents and make Service Requests and receive Incident Responses to the Service Levels within the Service Desk Hours for the Service or Application it relates to in each month.	TSL 99.8 MSL 99.3	No changes are proposed to the KPI descriptor. The only changes proposed are to the TSL and MSL.
<p>Reason for proposed change to IMT KPI 01 The changes are limited to the TSL and the MSL. Experience over the year has indicated that the 100% TSL is overly stretching whilst at the same time showing that the MSL of 97.5% is insufficiently challenging. The Chief Technology Officer is satisfied that a TSL of 100% is not necessary to deliver a high quality service and believes that the revised TSL and MSL together better incentivise high performance.</p>				
KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
IMT KPI 08	TSL 97.5 MSL 95	Existing KPI Availability of Gold Applications and Specified Services. The percentage of the Service Hours in any month during which the Application or Specified Service is Available (per Application or Specified Service).	N/A	The proposal is to delete this KPI and replace it with the proposed IMT KPI13 set out below.
<p>Reason for proposed deletion of IMT KPI 08 The reasons for deleting this KPI are set out under IMT KPI 13 below.</p>				

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
IMT KPI 10	TSL 100 MSL 90	Proposed KPI Updating of all agreed Configuration Items (to include software licencing) and asset details in the Service Desk asset management system and/or CMDB within 28 Core Support Hours of each move or change in any month.	TSL 100 MSL 90	The proposal is to change the response time from 14 hours to 28 hours.

Reason for proposed change to IMT KPI 10

The proposal is that Serco has 28 hours instead of 14 to update changes to the estate. The Chief Technology Officer is satisfied that compliance with this extended timescale is consistent with the delivery of a high quality service and that the change will allow Serco to deploy resources where there are most needed to the benefit of the Council.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
IMT KPI 12	TSL 70 MSL 50	Existing KPI Percentage of users in any month who score the IT Service as 'good' or above in response to the way an IT Incident has been managed following a request to rate the service when an Incident is marked as resolved (based on responses between 'poor', 'average', 'good' and 'excellent').	TSL 75 MSL 60	No changes are proposed to the KPI descriptor. The proposal is simply to increase the TSL and MSL.

Reason for proposed change to IMT KPI 12

Serco has performed well against this target and the proposal is simply to increase the TSL and MSL so that the KPI remains challenging.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
IMT KPI 13		Proposed KPI The percentage of user activities within monitored applications that meet the required response timescales set out in the Performance Standards Measurement Plan.	TSL 95 MSL 85	The proposal is to replace IMT KPI 08 above with this proposed KPI.

Reason for introducing IMT KPI 13

The contract always anticipated moving to this KPI as it measures a very wide scope of the services delivered it was simply not possible to set out response timescales for all of the services prior to commencement of the operational services. That work has now been done making the change possible. It measures a wide area of service and reflects actual user experience (i.e. the service can be working and available per IMT KPI 08 but very unresponsive and unusable by a User).

5.3 Customer Service Centre (CSC)

Appendix 3 to the report provides a high level overview of the proposed changes to the Customer Service Centre KPIs. Table 3 below provides further information and expands on the proposed changes to the CSC Key Performance Indicators which are described in the same way as in Table 1.

Table 3: Proposed changes to CSC Key Performance Indicators

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 01	TSL Y2 not less than 20% Y3 not less than 35% Y4 and 5 not less than 45% MSL Y2 not less than 17% Y3 not less than 30% Y4 not less than 40% Y5 not less than 42%	Existing KPI Percentage of all Contacts in a month received through Digital Access channels	TSL Y2 not less than 20% Y3 not less than 35% Y4 and 5 not less than 45% MSL Y2 not less than 17% Y3 not less than 30% Y4 not less than 40% Y5 not less than 42%	There are no changes to the KPI or to the TSL or MSL. There are changes to the Book of Measures method of measurement. CSC KPI 01 measures channel shift. Currently the measurement takes into account channel shift activity previously carried out by the Council e.g. on-line library book renewals. Serco has agreed to amend the Book of Measures so that only channel shift which they have proposed either as part of their tendered solution or later as a project counts towards this target.

Reason for proposed change to CSC KPI 01

Increasing channel shift is a key Council priority to improve services and to manage budget pressures. Currently the KPI targets are met in part by earlier channel shift work carried out by the Council. The changes to the Book of Measures whereby only Serco proposed channel shift counts provides increased incentivisation to Serco in this critical area of activity.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 02	TSL 90 MSL 85	Existing KPI Percentage of Contacts received and Resolved via Digital Access Channel per month.	N/A – KPI to be deleted	The proposal is to delete this KPI and transfer the Abatement Points elsewhere.

Reason for proposed deletion of CSC KPI 02

The proposal is to delete this KPI. There is no comprehensive way of recording this KPI as Serco cannot measure how many people tried to use the portal and failed, or how many people tried to renew their book online but gave up and called the CSC. Channel shift is critical to the Council but this is also measured in CSC KPI 01 (percentage of contacts received through Digital Access Channels each month) which is being retained and the intention is to transfer the Abatement Points from CSC KPI 02 to CSC KPI 01.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 03	TSL 15 MSL 20	Existing KPI Avoidable Contact Rate	TSL 10 MSL 15	No changes are proposed to the KPI. The only changes proposed are increases to the TSL and MSL.

Reason for proposed change CSC KPI 03

This KPI measures how many calls received could have been avoided for example by the CSC giving comprehensive and accurate information on every occasion it is contacted. The more efficient and effective the CSC the lower the avoidable contact rate. Serco has performed well against this target and the proposal is simply to increase the TSL and MSL so that the KPI remains challenging.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 04	TSL 7 MSL 10	Existing KPI Abandoned calls as a percentage of total calls each month.	TSL 7 MSL 10	There are no changes to the KPI descriptor nor the TSL or MSL. The only change proposed is to the Book of Measures method of measurement. Serco has asked that the current practice is changed so that only calls abandoned after 15 seconds wait time are counted.

Reason for proposed change to CSC KPI 04

The abandoned call rate is an important measure to ensure that the CSC remains well staffed. It is set at 7% which is challenging for a customer service centre which deals with complex requests and fulfilment activity. Serco has asked that the current practice be changed so that only calls that are abandoned after the caller has waited 15 seconds are counted so that people who have rung off because they have the wrong number or have changed their mind about calling are not included. The Council has had the opportunity of comparing information from elsewhere and it is clear that discounting such calls is common practice. We anticipate that on a normal month it would reduce the measured Abandoned Call rate by 0.6%. Serco has continued to work flexibly with the Council around new activity in the CSC and this relaxation will encourage the continuation of this flexibility without damaging the responsiveness of the service.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 08	TSL 85 MSL 80	<p>Existing KPI Percentage of Council Service Teams in any month rating the quality of service they have received from the Customer Service Centre as Good or Very Good on a range of measures including:</p> <ul style="list-style-type: none"> • quality of information taken • quality of transfer • speed of response • timeliness and accuracy of data input into service systems • other quality measures 	N/A – KPI to be deleted	The proposal is to delete this KPI and transfer the Abatement Points elsewhere.

Reason for proposed deletion of CSC KPI 08

The proposal is that the KPI be deleted. Currently there is a minimum response rate set out in the Book of Measures so that a low survey response does not skew the results. As the survey is limited to Council Service Teams that is difficult to achieve and the practice has been to measure the KPI quarterly. However going forward the Council is unwilling to agree mitigation for the non-measured months and Serco is unwilling to remove the minimum survey requirement nor are they prepared to triple the service credits for the month that is measured as this would be disproportionate to the importance of the KPI. External customer satisfaction is measured and Serco perform very well against this giving the Council assurance. It is in these circumstances that deletion is proposed.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
CSC KPI 09	TSL 100 MSL100	Existing KPI Percentage of carers assessments to be completed by the CSC (reviews and new) in any month accurately completed within 20 Business Days.	TSL 98 MSL 95	No changes are proposed to the KPI descriptor. The only changes proposed are to the TSL and MSL.

Reason for proposed change to CSC KPI 09

The proposal is that the TSL and MSL be reduced slightly, currently they are both 100% which means that a single failure early in the month disincentives performance for the rest of month. More materially to ensure operational compliance with the Care Act, the Council requires a service where the primary focus is on quality. Practically this requires a greater level of triage at the first point of contact encompassing a wider risk assessment including consideration of the whole family and discussing a wider range of information increasing the time taken to undertake assessments. The Carers' commissioner within the Council is clear that maintaining the existing TSL and MSL at 100% will inhibit the necessary changes as it overly focuses Serco on timeliness rather than quality and she is fully supportive of the proposed changes. Once the full extent of the changes required to the services to meet the Care Act are understood and agreed changes to the specification will be made and as a consequence it will be necessary to further review the TSL and MSL at that time.

5.4 Adult Care Finance (ACF)

Appendix 4 to the report provides a high level overview of the proposed changes to the Adult Care Finance KPIs. Table 4 below provides further information and expands on the proposed changes to the ACF Key Performance Indicators which are described in the same way as in Table 1.

Table 4: Proposed changes to ACF Key Performance Indicators

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
ACF KPI 02	TSL 99 MSL 90	Existing KPI Percentage of Adult Care Service Users in any month requiring a financial assessment who have an accurate financial assessment which correctly identifies the Adult Care Service User's Contribution measured by spot checking a representative sample group of Adult Care Services Users to audit performance on a monthly basis.	N/A – KPI to be deleted	The proposal is to delete this KPI and replace it with ACF_KPI_10.
<p>Reason for proposed deletion of ACF KPI 02 The new KPI still deals with financial assessments but measures overall service levels for all users rather than just measuring the accuracy of a few assessments through spot checks, further explanation in ACF KPI 10 below.</p>				
KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
ACF KPI 07	TSL 100 MSL 90	Existing KPI Percentage of cases in each month where the necessary paperwork to enable the Council's legal services to secure charges (i) under the Deferred Payments scheme is submitted within 10 Business Days of a request from an Adult Care Service User and (ii) under HASSASSA is submitted within 20 Business Days of completion of the financial assessment.	TSL 100 MSL 90	The proposal is to remove the words highlighted in bold/underlined. No other changes are proposed.

Reason for proposed change to ACF KPI 07

The changes simply reflect the fact that the HASSASSA legislation has been repealed.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
ACF KPI 10	N/A – New KPI	Proposed KPI Percentage of the total Adult Care Service Users in any month in receipt of a chargeable service who have an up to date and accurate financial assessment in place which is being used to collect their Adult Care Service User Contribution.	TSL 95 MSL 90	This KPI is a replacement for ACF_KPI_02

Reason for introducing ACF KPI 10

The proposal is that ACF KPI 10 replaces ACF KPI 02. The proposed KPI still deals with financial assessment. Previously the focus of ACF_KPI_02 had been on accuracy, which is still a requirement. However at the request of the Council the emphasis has moved to establishing that all Service Users who are in receipt of a chargeable service do in fact have a financial assessment in place. This is the higher priority to the Council to ensure the service is delivered equitably to all users. Accuracy will still be measured by the Council carrying out spot check on a sample number of assessments.

The proposal also reduces the TSL (from that used for ACF_KPI_02) slightly to recognise that the Council will be checking both the fact that all assessments which should be in place are, as well as the accuracy of those assessments.

Officers felt that the change was substantive enough to warrant a new KPI reference (ACF KPI 10) number due to the very different way financial assessments will be monitored. Keeping the old reference (ACF_KPI_02) may have led to confusion.

5.5 Finance (F)

Table 5 below summarises the proposed changes to the Exchequer Finance KPIs which are described in the same way as in Table 1.

Table 5: Proposed changes to Finance Key Performance Indicators

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
F KPI 01	TSL 95 MSL 80	Existing KPI Percentage of undisputed invoices paid in each month in accordance with vendor terms	TSL 95 MSL 80	No changes to the KPI descriptor or the TSL or MSL are proposed though some changes are proposed to the Book of Measures.

Reason for limiting the proposed change for F KPI 01 to the Book of Measures

F KPI 01 is very challenging and Serco has not been able to achieve even the MSL since it took on service delivery. Serco's best performance was in July 2016 at 68.83%.

Serco do not control all of the payment activity as goods receipted and invoice approval sits with the Council and at times Serco's failure to meet F KPI 01's TSL will in some part be down to the inaction of Council staff. In these circumstances Serco has asked the Council to review the KPI itself.

However whilst the Council are not currently in a position to recommend a revision to F_KPI_01 we have committed to working with Serco in good faith over a 3 month review process to investigate the AP issues and agree rectification plans where necessary. Subject to a satisfactory conclusion of the 3 month review process and agreement of rectification plans, the parties agree to one of the following outcomes in relation to the KPI:

1. Revised service level agreement (SLA) to replace F_KPI_01 or
2. Agree mitigations that would enable Serco to be in complete control of the outcome of F_KPI_01 if this measure should be retained

The main areas of focus for the 3 month review will be:

- Root cause analysis of errors/overdue payments that have arisen through people, process and technology issues
- Route cause analysis of any outstanding workflow items that have resulted from people, process and technology and where the resolution of such items reside.
- A review of training and work manuals The improvement of the knowledge on the Agresso system both within Serco and the Council,
- A further review of the appropriateness of management reporting to identify bottle necks and workflow hold-ups.
- A review of GL coding, Supplier contacts, task notifications, eInvoicing and recoding process

Once the review has concluded the Council expect that performance against this KPI to improve through the implementation of any agreed rectifications and also in conjunction with the Agresso upgrade to version 4.7 planned for November 2016.

In the meantime, LCC has agreed to amend the method of measurement for this KPI. Many of the Council's invoices are paid on immediate terms (zero day) such as foster parents or taxi drivers payment and changes are proposed to the Book of Measures so that Serco have 3 days to pay immediate terms payments from the Children's and Adult's Social Care feeder systems and 7 days to pay all other immediate payment terms invoices.

KPI REF	Existing TSL/MSL	KPI Description	Proposed TSL/MSL	Change
F KPI 03	TSL 90 MSL 70	<u>Proposed KPI</u> Percentage of debt <u>due to the Council (excluding Adult Care Financial Assessment Income and health authority debt) which is more than 30 days old. For the avoidance of doubt debt due means not paid into the relevant Council bank account as notified by the Council in any month.</u>	TSL 5 MSL 10	The proposed changes to the KPI descriptor are in bold. The proposed change would mean the KPI would monitor debt that is over 30 days old rather than looking at the level of payment within 30 days of the invoice being issued. As the method of measurement has changed to look at aged debt, the TSL and MSL have been changed to provide a challenging target.

Reason for proposed change F KPI 03

The proposal for F_KPI_03 is to amend it to match the way debt is currently monitored in adult care (ACF_KPI_06) which has proven very successful. Currently F_KPI_03 looks at debt that has been paid in under 30 days but does so by only looking at the month in question as it ignores aged debt over 30 days old. This provides little useful information of the overall level of outstanding debt and Serco's performance in collecting it. The KPI proposal changes the measure to monitor aged debt (debt that is over 30 days old) from the point that Serco took over the income collection service on 1st April 2015. This will provide a picture of the overall level of debt due the Council and Serco's performance in collecting it which the current KPI measure does not provide. Additionally, the proposed TSL (5%) and MSL (10%) for the amended KPI represent an increase in the Council's favour compared to the current KPI target.

6. Baseline Period

- 6.1 In two cases, new KPIs (PM_KPI_11 & PM_KPI_12) are being proposed and as such Serco has no knowledge of the underlying levels of performance for these KPIs making it difficult to set the Target and Minimum Service Levels. Serco has asked for a "baselining period" on these KPIs until March 2017 to enable the KPI to be measured and Target and Minimum Service Levels agreed. This is common practice and acceptable.
- 6.2 LCC has agreed with Serco that the new Target Service Level to be established by the baselining exercise will not be lower than the higher of:
- (i) Serco's highest monthly performance in the baselining period and
 - (ii) a pre-agreed minimum threshold of 80% for TSL
- 6.3 The new Minimum Service Level (MSL) will not be lower than 75%.
- 6.4 During the baselining period, PM_KPI_11 and PM_KPI_12 will be monitored and subject to Service Credits using a TSL of 80% and an MSL of 75%.

7. Going Forward

- 7.1 Accepting these changes on behalf of the Council falls within the delegated authority of the Chief Information and Commissioning Officer as the Council's Representative appointed under the contract to exercise the functions and powers of the Council. Before coming to a decision the Chief Information and Commissioning Officer would very much welcome advice and comment from the Value for Money Scrutiny Committee.
- 7.2 The intention is to implement the KPI review changes for use/monitoring in December 2016.
- 7.3 With the exception of F_KPI_01, it is recommended that the new KPI suite, when agreed, remains in place for around 16 months so that a second KPI review exercise undertaken would roll out at the start of Contract Year 4 (April 2018).

8. Conclusion

- 8.1 The Council and Serco have engaged with each other to review the existing suite of 43 KPIs through its commercial and service leads. Detailed discussions have taken place over a number of months across both the KPIs and the more detailed Book of Measures. In total changes are proposed to 17 of the existing 43 KPIs ranging from the insignificant to the substantial as set out above. Seven of the existing KPIs are to be deleted with four new KPIs added providing a new overall total of 40 KPIs. Generally KPIs have been deleted where a replacement KPI is materially different from the existing, or they have proved disproportionately difficult to measure or where they are of limited value to the Council.
- 8.2 KPI changes have been accompanied by consequential changes to the Book of Measures and in some cases changes have been made to the Book of Measures in the absence of KPI changes. Where the Book of Measures changes are significant we have referred to them above. As indicated we have also taken the opportunity to clarify the required approach to measurement in the hope that this will decrease the number of incidents where "Data is not available". The reduction to 40 KPIs will help reduce the performance management burden. Where possible the data will be provided electronically and this particularly will be the case for the ACF KPIs following the implementation of Mosaic.
- 8.3 With the possible exception of F KPI 01 Serco are held to account for matters within its control. This KPI could be reviewed again once Serco rectify the outstanding issues referred to above. The Council is satisfied that the proposed new suite of KPIs, is as challenging in the round as the existing suite and that it better matches the Council's priorities.
- 8.4 We are satisfied that the refreshed KPIs and Book of Measures entries better fit the Council's priorities, whilst more clearly setting out the information which must be produced to verify performance. As a result the changes are in the interests of both parties. At the same time, the principles set out in paragraph 3.1 above are met with the possible exception of F KPI 01 where a detailed explanation has been provided.

9. Consultation

a) Policy Proofing Actions Required

This report does not require policy proofing.

10. Appendices

These are listed below and attached at the back of the report	
Appendix 1	People Management KPIs
Appendix 2	Information Management And Technology KPIs
Appendix 3	Customer Service Centre KPIs
Appendix 4	Adult Care Finance KPIs
Appendix 5	Finance KPIs

11. Background Papers

No background papers within section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Judith Hetherington Smith and Sophie Reeve who can be contacted on 01522 553603 or 01522 552578 or at Judith.Hetheringtonsmith@lincolnshire.gov.uk and Sophie.Reeve@lincolnshire.gov.uk

APPENDIX 1 - PEOPLE MANAGEMENT KPIS

This appendix sets out the proposed changes to the People Management Key Performance Indicators used in the Serco Contract.

Abbreviations

PM – People Management; KPI – Key Performance Indicator; TSL – Target Service Level; MSL – Minimum Service Level; TBD – To Be Determined

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
PM_KPI_01	Percentage of Payroll Recipients paid on the Payment Date per month	TSL	99.9	%		TSL		
		MSL	99			MSL		
PM_KPI_02	Percentage of errors in Payments (caused by the Service Provider) identified and resolved in any month	TSL	100	%	Percentage of errors in Payments (caused by the Service Provider) identified and resolved by the following Payment Date	TSL		
		MSL	99				MSL	
PM_KPI_03	Percentage of Payment Deductions paid to relevant third parties by the Third Party Payment Date in any month	TSL	100	%		TSL		
		MSL	100			MSL		
PM_KPI_04	Avoidable People Management Contact Rate in each month	TSL	15	%	KPI TO BE DELETED – to be replaced by PM_KPI_11 below	TSL		
		MSL	20				MSL	
PM_KPI_05	People Management First Contact Resolution Rate in each month	TSL	85	%	People Management First Contact Resolution Rate of Tier 1 Contacts in each month	TSL		
		MSL	80				MSL	
PM_KPI_06	Number of People Management Records assessed in Spot Checks in any month which contains errors omissions or inaccuracies	TSL	1	No.		TSL		
		MSL	3			MSL		
PM_KPI_07	Percentage of recruitments using the electronic vacancy form in any month taking 40 business days or less from Authorisation to Recruit to Appointment to Post	TSL	99	%		TSL		
		MSL	96			MSL		
PM_KPI_08	Percentage of managers in any month rating their experience of contact with the Service Provider across the range of Access Channels as Good or Very Good on a range of measures including: <ul style="list-style-type: none"> • ease of contact with the Service Provider • speed of response • quality of advice provided • accessibility and accuracy of information and workforce/employee data • overall satisfaction with people management service Measurement shall be by way of a monthly survey to managers using a five-point grading: Very Good, Good, Neither Good nor Poor, Poor, Very Poor.	TSL	95	%		TSL		
		MSL	90			MSL		
PM_KPI_09	Percentage of Employees in any month rating their experience of Learning	TSL	95	%	KPI TO BE DELETED – to be replaced by PM_KPI_12 below	TSL		

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
	and Development as Good or Very Good on a range of measures including: <ul style="list-style-type: none"> • ease of use • timeliness of administration • quality of learning provided • outcomes • overall satisfaction with learning and development Measurement shall be by way of a transactional survey following each Learning and Development activity using a five-point grading: Very Good, Good, Neither Good nor Poor, Poor, Very Poor.	MSL	90					
PM_KPI_10	Percentage of projects or interventions designed to reduce the Council's sickness absence levels managed by the Service Provider in any month that are delivered on time and in accordance with the projects' or intervention's prior agreed and stated requirements	TSL	90	%	KPI TO BE DELETED	TSL		
		MSL	80			MSL		
PM_KPI_11	NEW KPI – Not part of extant contract arrangements	TSL			Percentage of People Management transaction activity completed within the relevant required timescale / target service level as detailed in the 'PM_KPI_11 Service Level Agreement'.	TSL	TBD (Min 80%)	%
		MSL				MSL	TBD (Min 75%)	
PM_KPI_12	NEW KPI – Not part of extant contract arrangements	TSL			Percentage of users in any month who score the PM My Helpdesk as 'good' or 'very good' in response to the way a People Management My Helpdesk has been managed on a range of measures including: <ul style="list-style-type: none"> • Ease of contact with the Service Provider • Speed of response • Quality of advice provided • Accessibility and accuracy of information and workforce/employee data • Overall satisfaction with People Management Service Measurement shall be by way of a transactional survey following each activity (or sample rate as agreed with LCC).	TSL	TBD (Min 80%)	%
		MSL				MSL	TBD (Min 75%)	

APPENDIX 2 - INFORMATION MANAGEMENT AND TECHNOLOGY KPIS

This appendix sets out the proposed changes to the Information Management and Technology Service Key Performance Indicators used in the Serco Contract.

Abbreviations

IMT – Information Management and Technology; KPI – Key Performance Indicator; TSL – Target Service Level; MSL – Minimum Service Level

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
IMT_KPI_01	Users are able to raise Incidents and make Service Requests and receive Incident Responses to the Service Levels within the Service Desk Hours for the Service or Application it relates to in each month.	TSL	100	%		TSL	99.8	
		MSL	97.5				MSL	99.3
IMT_KPI_02	Number of Priority 1 Incidents reported to the Service Desk failing to achieve Incident Resolution within the Incident Resolution Time in any month (excluding Incidents relating to VIP Users)	TSL	1	No.		TSL		
		MSL	5				MSL	
IMT_KPI_03	Number of Priority 2 Incidents reported to the Service Desk failing to achieve Incident Resolution within the Incident Resolution Time in any month	TSL	3	No.		TSL		
		MSL	5				MSL	
IMT_KPI_04	Number of Priority 1 Incidents relating to VIP Users reported to the Service Desk failing to achieve Incident Resolution within the Incident Resolution Time in any month	TSL	1	No.		TSL		
		MSL	5				MSL	
IMT_KPI_05	Number of Priority 1 Incidents reported to the Service Desk in any month	TSL	1	No.		TSL		
		MSL	5				MSL	
IMT_KPI_06	Number of Priority 2 Incidents reported to the Service Desk in any month	TSL	3	No.		TSL		
		MSL	5				MSL	
IMT_KPI_07	Availability of Platinum Applications and Specified Services The percentage of the Service Hours in any month during which the Application or Specified Service is Available (per Application or Specified Service)	TSL	99.8	%		TSL		
		MSL	99.3				MSL	
IMT_KPI_08	Availability of Gold Applications and Specified Services The percentage of the Service Hours in any month during which the Application or Specified Service is Available (per Application or Specified Service)	TSL	97.5	%	KPI TO BE DELETED	TSL		
		MSL	95					MSL
IMT_KPI_09	The percentage of Service Requests in any month notified to the Service Desk achieving Service Request Fulfilment within the Service Request Fulfilment Time as detailed in the Specified Services Description or the Service Catalogue	TSL	95	%		TSL		
		MSL	85				MSL	
IMT_KPI_10	Updating of all agreed Configuration Items (to include software licencing) and asset details in the Service Desk asset management system and/or CMDB within 14 Core Support Hours of each move or change in any month	TSL	100	%	Updating of all agreed Configuration Items as defined in the service catalogue, including software licencing, and asset details in the Service Desk asset management system and/or CMDB within 28 Core Support Hours of each move or change in any month	TSL		
		MSL	90					MSL
IMT_KPI_11	The % of project milestones that were achieved in the corresponding month	TSL	85	%		TSL		

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
	period. For projects of duration of less than two months, the milestone will be the signed off plan date. For longer projects, a number of milestones, including initial project end date will be created. A milestone date will be fixed from the original project plan with the exception of change requests which formally move milestone dates. Change Requests will only be valid if there has been a requirements change or there are circumstances which are outside of the Service Provider's control.	MSL	70			MSL		
IMT_KPI_12	Percentage of users in any month who score the IT Service as 'good' or above in response to the way an IT Incident has been managed following a request to rate the service when an Incident is marked as resolved (based on responses between 'poor', 'average', 'good' and 'excellent').	TSL	70	%		TSL	75	
		MSL	50			MSL	60	
IMT_KPI_13	NEW KPI – Not part of Extant Contract	TSL			% of user activities within monitored applications that meet the required response timescales set out in the Performance Standards Measurement for that user activity each month	TSL	95	%
		MSL				MSL	85	

APPENDIX 3 - CUSTOMER SERVICE CENTRE KPIS

This appendix sets out the proposed changes to the Customer Service Centre Key Performance Indicators used in the Serco Contract.

Abbreviations

CSC – Customer Service Centre; KPI – Key Performance Indicator; TSL – Target Service Level; MSL – Minimum Service Level

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
CSC_KPI_01	Percentage of all Contacts in a month received through Digital Access Channels	TSL	Year1: ≥10 Year2: ≥20 Year3: ≥35 Year4: ≥45 Year5: ≥45	%		TSL		
		MSL	Year1: ≥7 Year2: ≥17 Year3: ≥30 Year4: ≥40 Year5: ≥42			MSL		
CSC_KPI_02	Percentage of Contacts received through a Digital Access Channel resolved through a Digital Access Channel each month	TSL	90	%	KPI TO BE DELETED	TSL		
		MSL	85			MSL		
CSC_KPI_03	Avoidable Contact Rate in any month– consolidated and by service/activity, channel and customer profile	TSL	15	%		TSL	10	
		MSL	20			MSL	15	
CSC_KPI_04	Abandoned Calls as a percentage of total Calls each month	TSL	7	%		TSL		
		MSL	10			MSL		
CSC_KPI_05	Percentage of Contacts referred to in CSC_PI_01, CSC_PI_02 and CSC_PI_03 in any month responded to within the timescale set out in the relevant Performance Indicator for the relevant type of Contact	TSL	95	%		TSL		
		MSL	90			MSL		
CSC_KPI_06	First Contact Resolution Rate in any month	TSL	85	%		TSL		
		MSL	80			MSL		
CSC_KPI_07	Percentage of Customers in any month rating their experience of contact with the Council across the range of Access Channels as Good or Very Good on a range of measures including <ul style="list-style-type: none"> • ease of contact with the Council • Attitude of the Adviser • Clarity of information provided • Feeling reassured that service request would be dealt with/actioned • Understanding what will happen next • Timescales • Other Customer experience measures 	TSL	90	%		TSL		
		MSL	85			MSL		

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
CSC_KPI_08	Percentage of Council Service Teams in any month rating the quality of service they have received from the Customer Service Centre as Good or Very Good on a range of measures including: <ul style="list-style-type: none"> • quality of information taken • quality of transfer • speed of response • timeliness and accuracy of data input into service systems • other quality measures 	TSL	85	%	KPI TO BE DELETED	TSL		
		MSL	80			MSL		
CSC_KPI_09	Percentage of carers assessments to be completed by the CSC (reviews and new) in any month accurately completed within 20 Business Days	TSL	100	%		TSL	98	
		MSL	100			MSL	95	

APPENDIX 4 - ADULT CARE FINANCE KPIS

This appendix sets out the proposed changes to the Adult Care Finance Key Performance Indicators used in the Serco Contract.

Abbreviations

ACF – Adult Care Finance; KPI – Key Performance Indicator; TSL – Target Service Level; MSL – Minimum Service Level

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
ACF_KPI_01	Percentage of Adult Care Finance First Contact Resolution Rate in any month	TSL	85	%		TSL		
		MSL	75			MSL		
ACF_KPI_02	Percentage of Adult Care Service Users in any month requiring a financial assessment who have an accurate financial assessment which correctly identifies the Adult Care Service User's Contribution measured by spot checking a representative sample group of Adult Care Services Users to audit performance on a monthly basis.	TSL	99	%	KPI TO BE DELETED – New KPI below (ACF_KPI_10)	TSL		
		MSL	90			MSL		
ACF_KPI_03	Percentage of new, and change of circumstance, financial assessments for non-residential care in each month completed within 15 Business Days of receipt of a referral from the Council	TSL	90	%		TSL		
		MSL	85			MSL		
ACF_KPI_04	Percentage of new, and change of circumstance, financial assessments for residential care in each month completed within 15 Business Days of receipt of a referral from the Council	TSL	90	%		TSL		
		MSL	85			MSL		
ACF_KPI_05	Percentage of Adult Care Service Users in any month who receive their first direct payment within 10 Business Days of receipt of a referral from the Council	TSL	95	%		TSL		
		MSL	80			MSL		
ACF_KPI_06	Percentage of Adult Care Income due i.e. means not paid into the relevant Council bank account as notified by the Council in any month which is more than 28 days old	TSL	5	%		TSL		
		MSL	10			MSL		
ACF_KPI_07	Percentage of cases in each month where the necessary paperwork to enable the Council's legal services to secure charges (i) under the Deferred Payments scheme is submitted within 10 Business Days of a request from an Adult Care Service User and (ii) under HASSASSA is submitted within 20 Business Days of completion of the financial assessment	TSL	100	%	Percentage of cases in each month where the necessary paperwork to enable the Council's legal services to secure charges under the Deferred Payments scheme is submitted within 10 Business Days of a request from an Adult Care Service User	TSL		
		MSL	90			MSL		
ACF_KPI_08	Percentage of court of protection and appointeeship cases in each month that has been actioned correctly and commenced within 5 Business Days of referral by the Council.	TSL	90	%		TSL		
		MSL	85			MSL		
ACF_KPI_09	Percentage of Adult Care Finance Service Users in any month rating their	TSL	95	%		TSL		

KPI REF	EXTANT CONTRACT POSITION			PROPOSED KPI CHANGES (Changes from extant position shown by exception)				
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
	experience of contact with the Council as Good or Very Good on a range of measures including <ul style="list-style-type: none"> • ease of contact • speed of response • quality and clarity of advice • ease of transaction • overall satisfaction with the Service Provider Monthly survey to managers. Grading will be five-point: Very Good, Good, Neither Good nor Poor, Poor, Very Poor.	MSL	90			MSL		
ACF_KPI_10	NEW KPI – Not part of existing contract	TSL			Percentage of the total Adult Care Service Users in any month in receipt of a chargeable service who have an up to date and accurate financial assessment in place which is being used to collect their Adult Care Service User Contribution	TSL	95	%
		MSL				MSL	90	

APPENDIX 5 - FINANCE KPIS

This appendix sets out the proposed changes to the (Exchequer) Finance Key Performance Indicators used in the Serco Contract.

Abbreviations

F – Finance; KPI – Key Performance Indicator; TSL – Target Service Level; MSL – Minimum Service Level

KPI REF	EXTANT CONTRACT POSITION				PROPOSED KPI CHANGES (Changes from extant position shown by exception)			
	KPI Description	TSL/MSL Service Levels		Unit	KPI Description	TSL/MSL Service Levels		Unit
F_KPI_01	Percentage of undisputed invoices paid in each month in accordance with vendor terms	TSL	95	%		TSL		
		MSL	80			MSL		
F_KPI_02	Percentage of payment runs executed in each month within agreed schedule Note: agreed schedule is anticipated to be every business day	TSL	100	%		TSL		
		MSL	95			MSL		
F_KPI_03	Percentage of debt (excluding Adult Care Income and health authority debt) collected and paid into the relevant Council’s bank account as notified by the Council in each month within 30 days of invoice being issued	TSL	90	%	Percentage of debt due to the Council (excluding Adult Care Financial Assessment Income not set-up as an exchequer reference and health authority debt) which is more than 30 days old. For the avoidance of doubt debt due means not paid into the relevant Council bank account as notified by the Council in any month.	TSL	5	
		MSL	70				MSL	

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**Open Report on behalf of Debbie Barnes,
Executive Director responsible for People Management**

Report to:	Value for Money Scrutiny Committee
Date:	22 November 2016
Subject:	Council Workforce Plan 2016-2017 - Update

Summary:

The purpose of this report is to update Value for Money Committee on the progress made by the Council Workforce Plan 2016-2017, (previously People Strategy Plan,) and the main projects within it. The Workforce Plan identifies the Council's people management commitments to support delivery of the Council Business Plan and is overseen by the LCC People Management Service, in partnership with both the Serco People Management Service, the workforce planning and development leads in Director Areas, and Director Area Management Teams (DMT's).

The Workforce Plan sets out a framework to ensure we maximise the organisational capacity, performance and resilience to deliver the Council's objectives through people, which means :

- Having the right skills, in the right place, at the right time, to the required capacity to deliver the Council's priorities at the agreed standards
- Developing and supporting all of our employees to do their job well to deliver the Council's priorities for the benefit of our customers and communities
- Working as one Council and, through our partners, to deliver effective and efficient services

The Plan includes a continuation of some of the priority projects from the previous year and reflects continuous improvement to people management practices across the Council, in response to both existing and new challenges.

In summary, the Plan includes: Recruiting, retaining and developing the right skills; Continuing the development of leaders and managers; Embedding the Council's values and behaviours through key employment processes; Reviewing people management policies and procedures to ensure they are fit for purpose.

The planned benefits of the Council Workforce Plan are:

- Increased staff motivation and staff engagement
- Improved recruitment and retention of key skills
- Improved staff performance
- Reduced levels of sickness absence

- Effective leaders and managers
- Improved change management
- Improved workforce planning

Overall there has been good progress with key People Management projects delivered in partnership with Serco over the last period. Although not set out in detail in this report, it is acknowledged that People Management resources in Serco and the Council continue to be allocated the transformation of HR and payroll services, and the delivery of the benefits of increased self-service for key HR processes. Serco are also committed to deliver key improvements in the Council's recruitment process, as well as the starter, mover and leaver processes which will enable improvements leading up to data arriving in the payroll system. These are key projects which underpin the Workforce Plan and are essential for modernising how the Council manages its recruitment, performance management, resourcing and learning management processes.

Good progress has been made in enabling Managers to run a suite of HR Management information reports direct from Agresso, so they can monitor people related performance, for example, in relation to the management of sickness absence.

However there have been challenges with the production of the more complex corporate HR reports, such as, days lost per FTE due to sickness absence and employee turnover. There have also been key challenges for Managers in using Agresso. This has meant that the data recording the completion of appraisals over the period since Agresso was launched is not comprehensive. This issue is being addressed through both system improvements as well as arranging refresher training and guidance for Managers and employees in using the system.

In light of the ongoing work on Agresso and related processes to deliver improvements, reporting of performance information for the areas outlined above, to inform the Workforce Plan, will be at the end of quarter 1, 2017-18.

Benchmarking with similar councils and other employers will also re-commence, although in the meantime, there continues to be benchmarking of People Management policies and processes with other Shire Councils across the country.

Key points reflecting progress made at the half year review of the Workforce Plan include:

- A review of progress with CMB has been undertaken in October 2016 and a look ahead to 2017/18. Feedback from CMB reflects that the range of projects delivered are supporting leaders and managers to respond to challenges and implement change more effectively.
- There is effective partnership working between the LCC/Serco People Management Service and director area workforce leads/DMT's ensuring corporate approaches are aligned to be fit for purpose to meet specific business needs.
- The outcomes of the 2015 Employee Survey reflected positive employee engagement results from 52% of employees who responded. The key areas identified for improvement have informed the activities in the Corporate

Workforce Plan and other organisational policies.

- There has been a high demand for the new style Leadership Development Programme which commenced at the beginning of September 2016, focussing on developing middle managers.
- There has been an increasing usage of E-learning by employees, using the Council's Lincs2Learn platform, enabling value for money learning for both corporate and service specific programmes.
- Activities in the Recruitment & Resourcing workstream are progressing, with a commitment from Serco and resources in place to deliver key improvements by March 2017 to enable the delivery of excellent recruitment services as well as to improve starter, mover and leaver processes.

Actions Required:

Members of the Value for Money Scrutiny Committee are invited to note the contents of the report and highlight any recommendations or further actions for consideration.

- 1.1 The Commitment to Developing & Supporting Our Employees at Appendix A was produced following council-wide consultation with employees, managers and elected Members from Value for Money Scrutiny Committee before being signed off by the Corporate Management and the Executive in 2012. (The original document has recently been reviewed by Corporate Management Board, and other than minor updates, has not been changed as the principles continue to reflect the Council's ongoing commitment to developing and supporting its employees.)
- 1.2 Our future success in delivering our vision, purpose and values depends on the skills and commitment of our staff to deliver services for the benefit of our customers and communities. The Council Workforce Plan sets out our plan to deliver our commitment to continuous improvement by developing our employees. This is managed through three workstreams:
 - Leadership - enabling leaders to deliver organisational/workforce change
 - Workforce Planning (includes Resourcing and Recruitment)
 - Pay and Performance Culture

It is the responsibility of the Corporate Management Board to ensure the delivery of the Corporate Workforce Plan priorities and to review progress

- 1.3 Addressing recruitment, resourcing and learning and development needs within services areas are the responsibility of Director Area Management Teams (DMT's) for professional and technical (job specific) skills, supported by workforce planning and development leads. The Council's Workforce Plan overseen by the LCC People Management Service provides the overarching Council framework for recruitment, resourcing, employee development and organisational/workforce change.

2. Governance Structure

2.1 The governance framework for the Workforce Plan comprises of the following key elements:

- **Corporate Management Board** – to provide clear direction and strategic alignment with corporate requirements and priorities. The CMB Sponsor is the Executive Director for Children's Services and People Management.
- **Council Workforce Plan Delivery Group** – led by Service Manager – People, accountable for the planning and delivery of the work streams under the Corporate Workforce Plan and for agreeing how best to align delivery and resources from Serco and LCC.
- **Organisation Development Steering Group** – a forum to enable engagement with Workforce leads in Director Areas; to collaborate on key priority areas for workforce development; to provide assurance on key corporate projects and activities
- **Director Area Engagement** – through DMT's, to ensure director areas understand their role in implementing the changes through service levels actions

3. Workstream Summaries

3.1 **Leadership – Enabling Leaders to Deliver Organisational/Workforce Change**

3.1.1 ***Continuous improvement in how the Council manages change ensuring organisational capacity, performance and resilience in response to the changing environment.*** The following activities have either been delivered or are in development:

:

- Provision of HR and OD advice relating to organisational restructures and transition in a range of Service Areas, to support changes to service operating models.
- Building on the Leadership Development Programmes delivered over 2012–15, the revised leadership development programme is now being delivered by the Organisational Development Team focusing on aspiring/new leaders/managers and middle managers as well as all leaders in areas with significant change occurring. This is not an exclusive approach and support/development activities is also provided for senior leaders as and when required.
- In line with the Coaching Strategy, we have continued to deliver Coaching Style of Leadership training for leaders at all levels and co-ordination of the Coaching Pool, helping to embed the coaching culture. This assists managers to set team and individual goals, and remains an important part of the overall

performance management approach, to be adopted as the approach underpinning the new appraisal scheme.

- Continuation of delivery of a tailored personal development programme for all levels of managers helping them to improve their leadership skills using 360 degree feedback and psychometric/personality tools.
- Continuation of delivery of Manager's Essentials programme of learning through e-learning on Lincs2Learn and face to face events..
- Project to improve the information on council-wide employee benefits and improved access to information for the existing workforce and for potential employees/job applicants, to be re-launched in November 2016
- Continuation of delivery of programme of health and well-being initiatives, including training in Mental Health Awareness for Line Managers; update of Absence Management Policy and training of managers; audits of sickness absence management in Children's and Adult Services; provision of flu jabs for key employees; development of new portal for employee health and wellbeing so all information can be accessed from one place on the Council's intranet. The effective partnership with the Council's occupational health provider continues to support the proactive absence management approach undertaken by our Managers.
- A review is being undertaken of the Occupational Health Contract in preparation for the re-tender in early 2017, working with the Procurement Team
- Priority actions from 2015 employee engagement survey are being fed into employment policy reviews and organisational strategies to help employees carry out their roles as effectively as possible.

3.2 Workforce Planning (Resourcing and Recruitment)

3.2.1 *To recruit and retain the required skilled workforce in a timely manner to deliver the Council's priorities* the following activities have either been delivered or are in development:

- Planning for the introduction of the Apprenticeship Reforms in 2017. Through the Apprenticeship Group, plans are in place to implement the Council's long term goal to increase the number of apprentices employed in substantive roles year on year.
- Implementing our Youth Employment Strategy which includes objectives to increase the number of young people within the Council undertaking apprenticeships, graduate schemes and traineeships. This will be monitored and measured and reported through the Council's Business Plan.
- Implementing pilot projects in relation to the recruitment and retention of qualified social workers in Children's Services, which will be evaluated to identify any learning for other services in the Council, particularly regarding

hard to recruit and retain areas including Planners, Engineers, Legal and Procurement Officers, e.g. activities to support succession planning; recruitment branding for recruitment campaigns; use of LinkedIn for recruitment.

- Working with Serco, implementing improvements in the recruitment and resourcing service to Managers and Job Applicants to deliver a "Centre of Excellence." Serco are also undertaking a review of the end to end review of Employee Lifecycle processes, linked to improvements to the Agresso system.
- Reviewing the contract for the provision of agency workers in preparation for the re-tender in early 2017, working with the Procurement Team.

3.3 Pay and Performance Culture

3.3.1 *Following the Council's Collective Agreement, which amended some core terms and conditions from April 2015, we are progressing the second phase of the implementation. This includes:*

- The revision of the Performance Appraisal & Development policy and process in preparation for linking incremental pay progression directly to performance assessed from April 2018 onwards. Consultation on revised and procedure with Green Book Trade Unions and Managers completed during 2016. Training and information is currently being prepared on the new performance appraisal scheme.
- The Council's Core Values and Behaviours framework has been updated to enable easier use, and forms a central element, in the new performance assessment process. The framework reflects the generic skills and behavioural standards required in a high performance culture, e.g. Encouraging innovation; Working more collaboratively, building relationships and influencing others; Being future focussed and driving positive change; To consistently deliver results.

There have been a number of activities delivered relating to pensions and preparation for retirement:

- Completion of the 3 yearly Auto-enrolment exercise for the LGPS pensions scheme for the Council and schools in June 2016
- Retirement courses are being delivered throughout the year through the West Yorkshire/Affinity workshops.
- Workshops covering AVC's and the Council's Flexible Retirement scheme are also been delivered across the County.

4. Benefits Realisation

- 4.1 The benefits are measured throughout the lifecycle of the Workforce Plan. Some benefits can be measured through the year, whilst others require more long term monitoring and will not be fully realised until after the end of 2016/17.

4.2 Staff Engagement and Commitment

- 4.2.1 The outcomes of the November 2015 Employee Survey reflected positive employee engagement results from 52% of employees who responded. Agency workers were encouraged to take part as many could give comparative views having worked for several other organisations.
- 4.2.2 Benchmarking data suggests that a 25% response rate would be considered good for a voluntary survey. Looking back at previous surveys, this is our best result to date. Our previous survey in 2013 had a response rate of 36%.
- 4.2.3 The response rate gave credibility to the results and confidence in using the information to shape our strategies to help employees to carry out their roles as effectively as possible. The results show a high degree of commitment and engagement from our employees. None of the responses showed a less than 50% agreement rating.
- 4.2.4 The areas with the most positive response rate included: having a clear sense of how what they do, contributes to the delivery of the Council's outcomes & vision; sense of pride working for the Council; taking responsibility for self-managing during periods of change; team support.
- 4.2.5 Areas identified to be improved included employee communication, employee consultation and the recognition of talent/skills.
- 4.2.6 Areas where employees fed back negative comments were as part of the free text question including for example, *'What one thing could improve your working environment'*. The key themes emerging were very specific to that point in time, relating to pay errors as well as a number of issues relating to internet speed/environment/property issues/facilities.
- 4.2.7 In relation to the delivery of payroll, Serco have delivered improvements since the survey in November 2015, Additionally, in November 2016, Serco will be issuing letters to all employees in the Council (and schools) providing a statement, either confirming there are no pay issues, or where there are issues provide a detailed breakdown of what they are and how they will be resolved.
- 4.2.8 In relation to network speed, improvements in network performance and stability have been implemented by Serco. There remain further investigations and activities underway whilst a more comprehensive redesign of the corporate network and replacement of equipment is planned. Some further improvements are expected, as work continues.
- 4.2.9 In relation to property issues, a number of responses to the survey highlighted local management issues with broken equipment and untidy work areas that could easily be resolved without intervention from the Corporate Property Team. Managers and employees have been reminded that they are

empowered to resolve these types of issues. Since November 2015 Corporate Property continues to deliver a rationalisation programme. This reduces the cost of expensive and surplus office accommodation across the County. This means that some Services are asked to move location; where this happens, the ambition of the Corporate Property Team is to provide a comfortable working environment for all employees.

4.3 Other HR Management Information

- 4.3.1 In light of the ongoing work on Agresso and related processes to deliver improvements, as outlined in the main Summary of this report, information in relation to appraisal completion, days lost per FTE due to sickness absence and employee turnover, will be reported at the end of Quarter 1, 2017- 2018, to assist in the measurement of the benefits of the Workforce Plan.

4.4 Effective Leaders and Managers

- 4.4.1 In relation to the Leadership and Management Programme completed in March 2016, the evaluation showed extremely positive feedback. Comments from participants on the Leadership Programme included:

'It has allowed me the opportunity to meet with senior managers from other areas of the council, and to share their experiences of leadership. It has made me more aware of my own strengths, and of the areas of management I need to develop further'

'I think the most valuable part of the course was undertaking the training with a range of managers from different services and also the input from Democratic services was really helpful and political aspects we covered. The 360 appraisal was really good to actually analysis how you behave and impact you have on others and how you can make slight changes to function better'

The new approach to leadership development has been taken up by 80 managers from across all Director areas starting with attendance at an Induction event, provision of a Mindtools licence and the opportunity to attend a number of masterclasses through the year. The first masterclass was delivered on 31 October on Leading through Change which 21 people attended, with future topics on Reflective Practice for Leaders, Leading in a Political Organisation and others to be determined by participants.

In addition, the OD team are supporting leaders and managers through coaching provision and action learning activities, with the intention that a number of Communities of Practice develop. Senior leaders are currently being identified to support with mentoring.

4.5 Workforce Planning

- 4.5.1 The approach to workforce information and analysis to inform future demand for resources to better inform workforce planning is in development, linked to

improving management information reports through the Agresso Project. The information available, however, reflects key trends seen over the last few years, identifying key workforce planning challenges as a result of our ageing workforce. The need to focus on programmes such as the Youth Employment Strategy (including traineeships and graduate schemes) and the all age Apprenticeship Programme to critical to developing and retaining the key skills required for the future.

4.6 Director Area Workforce Planning and Development

- 4.6.1 Although the main focus of this report outlines council wide Workforce Plan project/activity updates, the DMT's and the workforce leads in director areas, both provide a key role in providing project assurance, as well as ensuring key people management policies and approaches are embedded in a manner which also delivers specific business needs.
- 4.6.2 In relation to each of the 3 Workstreams of the Council Workforce Plan, there is a clear alignment between the service specific workforce priority activities and the objectives of the Council Workforce Plan. However given the diversity of professional areas, determined by both professional and government requirements, there is often a tailored approach required to meet business needs. An example being the corporate appraisal framework and the Council's core values and behaviours framework, which need to fit with, for example, Fire and Rescue professional standards, the Public Health Skills and Knowledge Framework as well as with the proposed central government accreditation scheme for Social Workers.
- 4.6.3 Expertise and resources are shared by the People Management Service with Director Area leads. An example includes recruitment and retention, whereby expertise and knowledge of best practice is provided by the Service, working in partnership with the service leads to ensure that the solutions meet the specific challenges, such as in areas of professional skills, which are hard to recruit and/or retain.
- 4.6.4 Similarly, collaboration across the services is also important in the planning for programmes such as the government's Apprenticeship Reforms, with the Strategy Group ensuring a co-ordinated approach is taken so that the Council recoups its full levy payment, and so that each service areas maximises opportunities for workforce skill development through the accredited apprenticeship training programmes. There is also a co-ordinated approach in relation to either preventing or addressing workforce health and well-being and resilience issues, with specific additional activity in sickness hot spot areas.
- 4.6.5 The Organisation Development Steering Group provides the opportunity for collaboration and information sharing between service areas, informed by their quarterly updates progress on key activity and projects relating to the planning and development of professional and technical (job specific) skills.

5. Conclusion

- 5.1 Overall the projects within the Workforce Plan are being delivered on plan and evidence is being captured that supports the achievement of the planned benefits. In particular the close working with Director Area Leads ensures that knowledge and resources are shared, and that there is effective joined up working on projects such as the Apprenticeship Levy to meet both council objectives and service specific requirements.
- 5.2 In undertaking their review, the Corporate Management Board have determined that the existing projects relating to the embedding of the new Performance Appraisal process, the introduction of the Apprenticeship Reforms, Recruitment and Retention initiatives in hard to recruit and retain areas as well as supporting the Management Development programme, ongoing, will be required to continue into 2017-18. Ongoing priority will also be given to the transformation of HR systems and processes.

The detailed plan will be finalised, following consultation with DMT's, and the Organisation Development Steering Group.

6. Consultation

a) Policy Proofing Actions Required

N/A

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Commitment to Supporting and Developing Our Employees

8. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Fiona Thompson, who can be contacted on 01522 552207 or Fiona.thompson@lincolnshire.gov.uk .

Commitment to Developing & Supporting Our Employees - Appendix A

Our Vision, Purpose and Values

The Workforce Plan is shaped by our vision, purpose and values, and reflects our commitment to continuous improvement by developing our employees.

For the council as a whole, our **Vision** is ‘working for a better future’ by

- Building on our strengths
- Protecting your lifestyle
- Ambitious for the future

Our **Purpose** is...

- Making the best use of all our resources
- Investing in infrastructure and the provision of services
- Commissioning for outcomes based on our communities’ needs
- Promoting community wellbeing and resilience
- Influencing, coordinating and supporting other organisations that contribute to the life of Lincolnshire

To deliver the vision and purpose, our Business Plan sets out our priorities. The Council’s Business Plan 2016-17 identifies 17 Commissioning strategies which set the outcomes for the Council Business Plan. These are categorised under the following four headings:-

- Our Communities are Safe and Protected from Harm.
- The Health and Wellbeing of the Population is Improved, People Remain Independent for Longer and Feel Responsible and in Control of Their Own Future.
- Businesses are Supported to Grow and Want to Invest in the County; People have the Skills and Training to Access Local Jobs, Supported by the Right Infrastructure and Environment.
- We Effectively Target our Resources, so that Individuals and Communities Experience the Desired Benefits and Results.

Commitment to Developing & Supporting Our Employees - Appendix 1 (continued)

At the heart of this plan is the Council's commitment to ensure that our employees are developed and supported to perform at their best, to deliver the Council's priorities for the benefit of our customers and communities

Our commitments are to:

- **Be a good employer** which means our people management policies are lawful and fair, consistent yet flexible, and fit for a modern authority.
- **Be a developer of people** which means we support our employees to perform well, and to be agile and skilled to respond to the ever-changing conditions that we are operating in; we define team and individual objectives so they are clearly understood; we develop strong leaders; we promote professional development and we help our employees to take responsibility for their own development and learning.
- **Be a good communicator** which means that employees feel fully informed of new developments across the council and understand what it means for them individually. We consult employees about developments and proposals at the earliest opportunity and we work in partnership with recognised trade unions.
- **Work smarter** which means we will use technology to promote innovation and change and support employees to work in a more efficient and agile way.
- **Value all our workforce** which means that everyone who works here is inspired to get the most out of their working experience and is able to make the maximum contribution to our success as an organisation

Our Values

The council has adopted a number of important values and behaviours which apply to all who work for the council. These are designed to ensure that the Council's employees and customers are treated with respect, that their expectations and concerns are treated seriously and that we all act to achieve the best possible outcomes. These behaviours form an important part of the council's overall approach to the development of employees. At the heart of the values and behaviours is the following important statement:

*We are proud to work here for the benefit
of our customers and communities.*

- | | |
|-----------------------|----------------------|
| • <i>Professional</i> | • <i>Resourceful</i> |
| • <i>Respectful</i> | • <i>Reflective</i> |

For all managers this means directing, supporting and developing employees. For all employees, it means developing skills and creating a performance climate focused on achieving our key priorities.

We will continue to support this through the implementation of the Workforce Plan to enable us to be a forward thinking, flexible organisation which can cope well with changes, challenges and opportunities.

**Open Report on behalf of Pete Moore
Executive Director of Finance & Public Protection**

Report to:	Value for Money Scrutiny Committee
Date:	22 November 2016
Subject:	Treasury Management Update 2016/17 - Quarter 2 Mid Term Update Report to 30 September 2016

Summary:

This report has been prepared in accordance with the reporting recommendations of the CIPFA Code of Practice 2011 and details the Council's treasury management activities for the first half of 2016/17 to 30 September 2016, comparing this activity to the Treasury Management Strategy for 2016/17, approved by the Executive Councillor for Finance on 21st March 2016. It will also detail any issues arising in treasury management during this period.

Actions Required:

That the report be noted and any comments to be passed onto the Executive Councillor with responsibilities for Finance.

1. Background

1. Introduction and Background

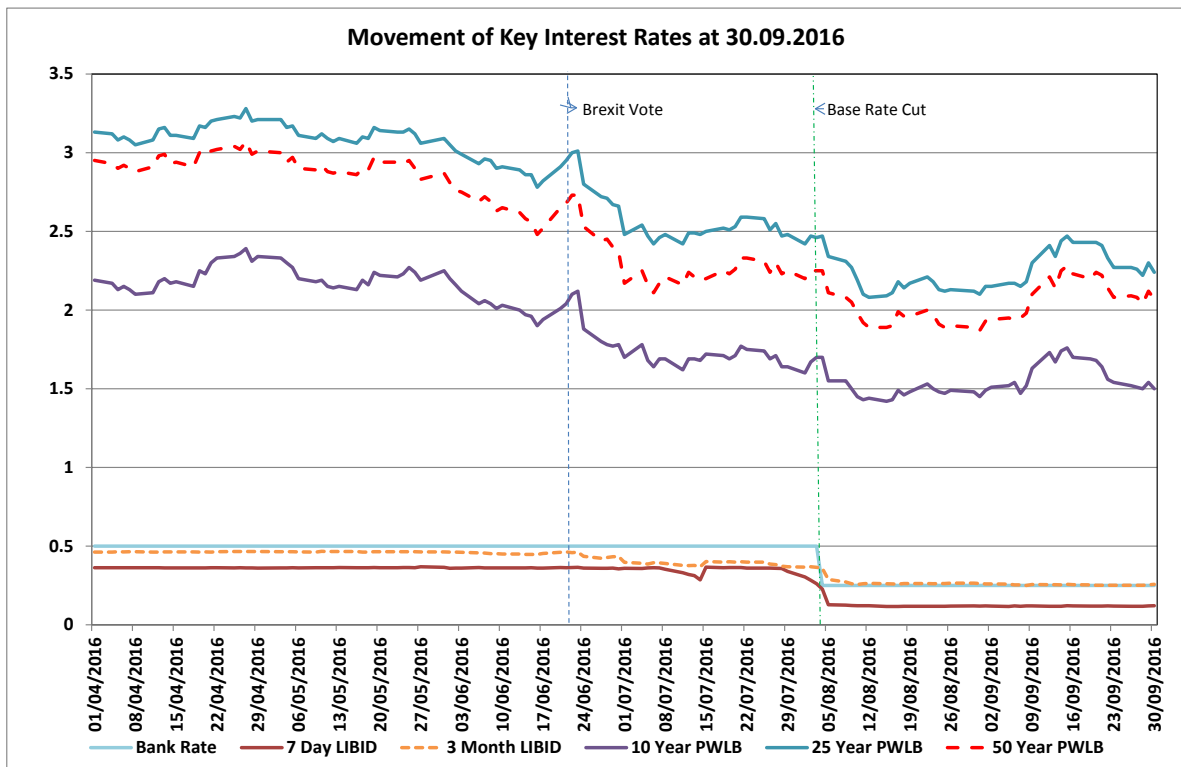
- 1.1. Treasury Management relates to the policies, strategies and processes associated with managing the cash and debt of the Council through appropriate borrowing and lending activity. It includes the effective control of the risks associated with the lending and borrowing activity and the pursuit of optimum performance consistent with the risks.
- 1.2. This Treasury Report will cover the following positions to 30th September 2016:
 - Interest rate review, economic overview and revised interest rate forecast.
 - Annual investment strategy/ authorised lending list changes during the quarter.
 - Investment position and comparison with strategy.
 - Borrowing & debt rescheduling position and comparison with strategy.
 - Other Treasury Management issues arising during period.

2. Interest Rate Review, Economic Overview and Revised Interest Rate Forecast to 30th September 2016

2.1. At the time of setting the Strategy in February 2016, the markets were forecasting short-term Bank Rate to increase to 0.75% from 0.50% by December 2016 for the first time since 2008 in response to the low inflation strong growth environment in the UK. This first increase was pushed further into the future following the Bank of England Inflation Report in May 2016, which pegged back its growth forecast and factored in concerns over a Brexit vote to leave.

2.2. Long term rates were forecast to rise moderately over 2016/17 by around 0.30%, but remain extremely volatile and difficult to predict due to upside and downside external market influences.

2.3. The graph below shows the actual movement of both UK long term and short term interest rates over the first half of 2016/17.



2.4. The UK voted to leave the European Union in the 24th June 2016 Referendum. Shocks to the markets subsequent to this result and fears for Economic Growth led to the Bank of England to cut Base Rate on 4th August 2016 to 0.25% from 0.50% for the first time since 2009 and increase Quantitative Easing by £60bn to £435bn. The graph shows the impact on interest rates due to these events. Short term rates dropped to 0.25% levels following the Base Cut and have remained flat since. Long term rates fell significantly after the Brexit vote but rallied in September 2016 as news on Economic Growth was not as bad as feared.

2.5. Economic Background -The quarter ended 30th September 2016 saw the following:

- Economic growth expected to fall on the back of Brexit Vote to leave the EU. BOE Forecast for 2017 cut from 2.3% to just 0.8%.
- The BOE decisions on 4th August 2016 to stabilise the Economy included:
 - Bank Rate Cut from 0.50% to 0.25%.
 - New Gilt Purchases (QE) of £60bn.
 - New Corporate Bond Purchases (QE) £10bn.
 - Term Funding Scheme to provide £100bn of cheap funding to banks.
 - QE programme now standing at £545bn in total.
- BOE hinted at a further cut in Base Rate in November to 0.10% but ruled out negative interest rates.
- Government announced budget surplus target by 2020 will be eased in the Autumn Statement on 23rd November 2016 and hinted that they will do anything necessary to promote growth including fiscal policy or increased Government expenditure on infrastructure.
- Consumer confidence fell very sharply immediately after the Brexit Vote but fully recovered by the end of September.
- The value of Sterling fell sharply following the referendum result and remains at an all-time low, which is feeding through to higher importing costs for businesses.
- There was a sharp rise in inflation expectations by BOE to over 2% target by 2018. This is primarily due to the fall in the value of Sterling since the Brexit vote. A 10% fall in the value of Sterling is likely to result in a 3% increase in CPI over a 3-4 year time period. The BOE is likely to take a long term view on this to support growth as long as pay remained subdued.
- Both the ECB and the US Federal Reserve kept policy unchanged.

2.6. The Brexit vote to leave and the BOE action have obviously had a major impact on reducing interest rate forecasts. Capita Asset Services Ltd, the Councils treasury advisors, provided its latest forecast for interest rates on 9 August 2016, as follows:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

The forecast reflects the Base Rate cut to 0.25% and factors in another cut to 0.10% in November 2016. Increases to Base Rate back to 0.50% are not forecast until June 2019. Long rates have been adjusted to existing levels of 1%-2% and are forecast to rise by only 0.20% to 0.30% by June 2019. Capita have also revised their target levels for new borrowing to **1.00% (5 year)**, **1.50% (10 year)**, **2.30% (25 year)** and **2.10% (50 year)**, from 2.00%, 2.60%, 3.40% and 3.20% respectively, as recorded in the Strategy in March.

Capita have indicated that they intend to provide a revised forecast to interest rates on 14th November after the BOE Inflation Report on 3rd November 2016 and the US Presidential Election on 8th November which both could have significant implications for market rates.

The recent spike in inflation expectations and better than expected UK GDP figures in Q3 of 0.5% have provided momentum to push gilt yields and hence long term borrowing up. They forecast that there is considerable upside potential to future interest rate forecasts due to these factors.

3. Annual Investment Strategy/ Authorised Lending List Changes to 30th September 2016

3.1. The Council's Annual Investment Strategy was approved, along with the Treasury Strategy, by the Executive Councillor for Finance on 21st March 2016, after being scrutinised by this Committee. This outlines the Council's investment priorities as the security of capital and the liquidity of investments, with the aim to achieve the optimum return on investments commensurate with proper levels of security and liquidity.

- 3.2. As such investments are only placed with highly credit rated financial institutions, using Capita's suggested creditworthiness approach, including Sovereign Credit Ratings and Credit Default Swap overlay information provided by Capita. In addition to Capita's credit methodology, the Council also maintains a minimum limit of A+ Long Term Rating (two out of three agencies) for all its Counterparties, excluding the UK and part-nationalised UK banks and a minimum limit AA- Sovereign Rating, (two out of three agencies) for any Country in which a Counterparty is based. Appendix A shows the Council's existing Authorised Lending List based on this creditworthiness approach together with a key explaining the credit rating scores.
- 3.3. Capita's credit methodology concentrates solely on Short Term and Long Term ratings and is in line with the Credit Rating Agencies, who have removed the uplift in ratings they give to institutions from implied levels of sovereign support, which they feel will no longer be there going forward. As part of the Annual Investment Strategy for 2016/17, the Sovereign Rating minimum limit was reduced from AAA to AA- as a result of this lowering of emphasis on Sovereign Ratings by the industry.
- 3.4. The minimum Long Term Rating requirement of A+ was also relaxed to two out of three agencies to allow more flexibility to the Council's lending list for those Counterparties who consistently rated a notch lower by one agency only.
- 3.5. There have been no changes to the Authorised Lending List during the quarter up to 30th September 2016.
- 3.6. At the 30th September 2016 no investments to Counterparties on the list were in breach of limit due to limit changes.
- 3.7. A full list of the investments held at 30th September 2016, compared to Capita's creditworthiness list, and changes to credit rating of counterparties during September 2016 are shown in Appendix B.

4. Investment Position to 30th September 2016 – Comparison With Strategy

- 4.1. The Council's investment position and cumulative annualised return at 30th September 2016 are detailed in the table below:

Investment Position At 30.09.16	Return (Annualised %)	Weighted Benchmark (Annualised %)	Outperformance
£264.776m	0.70%	0.37%	0.33%

- 4.2. The investment balance is made up of general and earmarked reserves, Pension Fund cash, borrowing and other income received but not yet used/spent and general movement in debtor and creditor amounts.
- 4.3. In line with the strategy, investments during the quarter have been made in all periods of 2 days to 1 year to lock into rates above base rate level, and extensive use of bank call accounts and money market funds have been made that offer returns ranging from 0.30% to 0.50%. Several 364 day investments have been made during the quarter to take advantage of the enhanced yields offered. Including investments in Bonds and Certificates of Deposit. The investment portfolio weighted average maturity (WAM) stood at 123 days on 30th September 2016 from 134 days on 30th June 2016. (Highlighted in Appendix B). The outperformance of the benchmark in the first quarter is a reflection of this strategy, as the weighted benchmark has dropped as a result of the fall in Base Rate but long dated fixed deals have yet to drop out of the Return.
- 4.4. The benchmark target return used is a weighted benchmark that uses both the 7 day LIBID and 3 month LIBID market rates, weighted, to better reflect the maturity of the investments made and therefore the risk parameters of the investment portfolio. Being a market rate, this benchmark moves relative to market movements and is therefore the target rate used for investments.
- 4.5. The investment performance was also benchmarked against the Capita quarterly benchmark analysis, comprising a mixture of 8 other authorities in the East Midlands area and 14 English Counties. The results of this benchmarking for the 2nd quarter are detailed below, which shows that the Council's return was above that of the comparators, achieved by having a longer WAM. The Council's return is also in line with Capita's suggested risk banding achievable for the level of risk being taken on its investments.

Capita Benchmarking – Position at 30/9/2016			
	LCC	Benchmark Group(8)	English Counties (14)
30 September Return %	0.67%	0.59%	0.60%
Risk Banding	0.62% -0.75%	0.52% - 0.65%	0.50% -0.63%
WAM (days)	123	87	80

5. Borrowing & Debt Rescheduling Position to 30th September 2016 – Comparison with Strategy

- 5.1. The Strategy for 2016/17 stated that new borrowing would be undertaken in all periods with the aim of achieving an even spread of maturity profile and keeping an increase in the average cost of the Council's debt to a minimum. Borrowing would be undertaken at a time appropriate to coincide with an identified dip in borrowing rates available

5.2. The Council's external borrowing position at 30th September 2016 is detailed in the table below and shows £12m of external borrowing from the PWLB was undertaken to the end of September 2016 bringing the cost of the Council's debt down to 4.062% in line with the Strategy. This was to take advantage of the sharp fall in long term borrowing rates after the Brexit Leave Vote. The borrowing was taken over the 45 to 48 year period at a record average low average rate of 2.39% at the time.

Borrowing Position at 30.9.2016	Maturing Debt £m	Debt To Fund CapEX £m	Total £m	% Cost
Balance at 1.4.2016	0.0	480.099	480.099	4.077%
New Borrowing to 30.9.2016	0.0	12.000	12.000	2.393%
Borrowing Repaid to 30.9.2016	(9.000)	(0.677)	(9.677)	
Debt Rescheduling to 30.9.2016				
-Borrowing Repaid	0.0	0.0	0.0	
-Borrowing Replaced	0.0	0.0	0.0	
Balance at 30.9.2016	(9.000)	491.422	482.422	4.062%
Projected Further Borrowing Required in 2016/17 (net of internal borrowing CF)	0.0	69.908	69.908	
Projected Further Borrowing Repayments – Actual	(5.000)	(0.677)	(5.677)	
- Voluntary	(0.0)	(5.537)	(5.537)	
Projected Borrowing Position at 31.03.2017	(14.000)	555.116	541.116	
Authorised Limit For External Debt 2016/17			584.851	

5.3. The table below shows the Council's Capital Expenditure plans and Borrowing Requirement at 30th September 2016, from that originally agreed by Full Council at its meeting on 19th February 2016.

	Original Budget at 1/4/2016 £m	Position at 30/9/2015 after Carry Forwards £m
Net Capital Expenditure Programme 2016/17	86.408	138.454
Borrowing Requirement 2016/17	78.794	132.000

- 5.4. Internal borrowing is using internal balances instead of taking external borrowing to finance the capital programme. This strategy reduces interest rate risk (the risk of unexpected adverse changes in interest rate) and credit risk (the risk of default by counterparties to whom investments are held as investment exposure falls) and also provides a net saving in interest costs in the short term, provided that Council balances are sufficiently available to maintain this strategy. The balance of internal borrowing stood at £66.213m at 31st March 2016. A further £50.092m of internal borrowing will be made in 2016/17 to cover the 2015/16 carry forward of capital expenditure. Scope for further internal borrowing after this will be assessed throughout the year against current levels of cash.
- 5.5. Total LOBO debt the Council has secured is still at £30m, well within the limit set in the strategy of 10% of total external debt (equating to £48m). A limit is set on this type of borrowing to limit the amount of variability within the debt portfolio of debt repayment. The average cost of the Council's LOBO debt is 3.99%.
- 5.6. No debt rescheduling activity of existing debt has taken place to 30th June 2016, due to all existing borrowing loans being in premium position. (Meaning that the coupon rate of existing debt is higher than the current market rate for equivalent outstanding periods and so a premium would be incurred to repay this debt back early).
- 5.7. Full Council, at its meeting on 19th February 2016, approved the Council's Prudential Indicators for 2016/17, set as a requirement of the Prudential Code to ensure the Council's capital financing, in particular its long term borrowing, is prudent, affordable and sustainable. It can be confirmed that no Prudential Indicator limits have been breached in the first half of 2016/17.

6. Other Treasury Management Issues

6.1. Revision to MRP Policy Statement for 2016/17 and future years:

Minimum Revenue Provision (MRP) is a charge to the Council's revenue account to make provision for the repayment of the Council's outstanding capital debt liabilities. The Council is required by law to set aside an amount for this provision which it considers to be prudent. Statutory Guidance which accompanies Regulations provides options for the calculation of MRP and gives Council's significant discretion in determining the level of MRP.

The Council's MRP policy was created and approved in 2009 at the start of the new MRP system and since then only relatively minor changes to the policy have been made to adjust for more appropriate asset lives. Some work has been done over the quarter therefore to look at the method of which the Council calculates its MRP provision in order to revise this to bring it up to date with current circumstances.

The Guidance states that 'the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

To achieve these aims the Council's existing MRP policy uses the 'Regulatory Method' for repayment of pre 2008 debt, where borrowing was supported by Government RSG and repaid over a term reasonably commensurate with the period implicit in the determination of that grant. Repayment of this debt was therefore set on a 4% reducing balance. For debt from 2008/09 onwards, the Council chose to calculate MRP on an 'Average Life Method' using an equal instalment of principle calculation. This focuses on the Asset life of all assets financed by borrowing and repays debt on an equal basis over the life of these assets.

Changes to existing policy from 2016/17 onwards:

Pre 2008 Debt

Since the business rates reform in 2013/14, there is no component of grant determining an implicit level of support for debt repayment. For pre 2008 debt therefore, it is proposed to change the MRP approach to a full repayment method and base this on a standard asset life of 50 years which equates to a flat rate of 2% per year until the debt is fully repaid over 50 years. From 2016/17 this would reduce the MRP repayment from £8.8m to £4.4m. Over the next four years the reduction in MRP from this change would be £15.5m, however as this is a full repayment approach the cost in future years will become more expensive than on the current approach.

Average Life Method-Annuity Calculation

As well as applying equal instalments of principal debt repayment over the asset lives of assets financed from borrowing, there is also the opportunity to calculate debt repayment using an annuity calculation for those assets. With an annuity, a fixed repayment consists of primarily all interest in early years and principal repayment increases in later years. This method therefore has the advantage of linking MRP to the flow of benefits from an asset where the benefits of those assets are expected to increase in later years. It is therefore proposed to use the annuity method on those assets/projects financed by borrowing where we can make this link, such as Infrastructure Spending (Lincoln Eastern Bypass, East-West Link, Relief Road Projects etc). From 2016/17 this would reduce the MRP repayment further by up to £2.8m. Over the next four years the reduction in MRP from this change would be up to £13.1m. The cost again in future years will eventually be more expensive than the current approach.

Reviewing the Date of Financing

The guidance allows Councils not to start charging MRP until an asset becomes operational. The Council has four large highway schemes which are due to take a number of years to complete. It is therefore proposed that from 2016/17 these four major schemes will not be financed until they become operational. This represents around £90m of funding by borrowing and in the short term this will reduce the MRP charge by £1m to £2m, but is only a deferral of these costs.

We have approached the Council's external Auditors KPMG with these proposals for changing the MRP calculation and they have confirmed they have no concerns with this strategy.

The revenue budget savings from this revised policy will be reflected both in the next revenue budget monitoring report for the current year due in January 2017 and in the revenue budget proposals for next year presently under development.

2. Conclusion

Interest rate forecasts were drastically revised down in August 2016 following the Brexit Vote to leave the EU on 24th June 2016. The Base Rate was cut on 4th August 2016 to 0.25% from 0.50% in an attempt to stabilise the Economy. Sterling has fallen to an all-time low leading to an increase in inflation expectations as prices are affected by the exchange rate. The Council's investment return for the first quarter remained at pre-cut levels of 0.70% which outperformed the falling benchmark by 0.33% due to the lengthy WAM. The Council's lengthy WAM ensured that its return beat that of its benchmarking comparators. Advantage was taken of the sharp fall in long term rates after the Brexit vote by taking £12m PWLB debt at an average of 2.39%, bringing the cost of the Council's debt down to 4.062%, in line with the Strategy.

A revision to the calculation of MRP is proposed to bring it up to date with current circumstances regarding capital financing and making it better reflect the useful life of assets financed by borrowing. The result will be to re-profile the level of MRP over the next 50 years, leading to significantly lower repayment in the next few years, but higher repayment after 18 years out.

3. Consultation

a) Policy Proofing Actions Required

As the contents of this report are factual and the activities being reported on have taken place within existing policies, policy proofing has not been necessary.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Authorised Lending List and Credit Rating Key
Appendix B	Investment Analysis Review at September 2016 - Capita Asset Services Ltd

5. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Treasury Management Strategy Statement and Annual Investment Strategy 2016/17 - 21/03/2016	Lincolnshire County Council, Finance and Public Protection
Council Budget 2016/17 - 19/02/2016	Lincolnshire County Council, Finance and Public Protection

This report was written by Karen Tonge, who can be contacted on 01522 553639 or karen.tonge@lincolnshire.gov.uk.

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LINCOLNSHIRE COUNTY COUNCIL LENDING OF TEMPORARY SURPLUSES

Country		Lending Limit £m	Maturity Limit	# Watch/ Outlook Adjusted		FITCH IBCA Credit Rating Long Term	Sovereign	For Treas: CDS Overlay
	1 Other Local Authorities	20 each	24 Months					
	2 Debt Management Account Deposit Facility	50	6 Month					
	3 UK Banks :							
UK	# HSBC Group	20	364 Day					
	HSBC Bank Plc	20	364 Day	364 Day	SB	AA-	AA+	364 Day
	HSBC Evergreen Notice Account	20	364 Day					
UK	# RBS Group - Part Nationalised	40	364 Day					
	National Westminster Plc	40	364 Day		NO	A	AA+	
	Natwest Instant Access Liquidity Account	40	364 Day					
	Natwest 90 Access - Liquidity Account	40	364 Day					
UK	Royal Bank of Scotland Plc	40	364 Day		NO	A	AA+	
UK	# LloydsHBOS Group -Part Nationalised	15	364 Day					
	Lloyds TSB Bank Plc	15	6 Months		SB	A+	AA+	6 Months
	Bank of Scotland - Guaranteed Fixed Deposits	15	6 Months					6 Months
UK	Standard Chartered Bank	15	6 Months	6 Months	NO	A+	AA+	3 Months
UK	UBS Ltd	15	6 Months	6 Months	SB	A+	AA+	6 Months
	4 Other Banks							
AUS	Australia & New Zealand Banking Group	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	Commonwealth Bank of Australia	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	National Australia Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
AUS	Westpac Banking Corporation	20	364 Day	364 Day	SB	AA-	AAA	364 Day
BEL	# BNP Paribas Group	15	6 Months					
	BNP Paribas Fortis	15	6 Months	6 Months	SB	A+	AA	6 Months
FRA	BNP Paribas	15	6 Months	6 Months	SB	A+	AA	6 Months
CAN	Bank of Montreal	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Bank of Nova Scotia	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	Canadian Imperial Bank Commerce	20	364 Day	364 Day	SB	AA-	AAA	364 Day
CAN	National Bank of Canada	15	6 Months	6 Months	SB	A+	AAA	6 Months
CAN	Royal Bank of Canada	20	364 Day	364 Day	SB	AA	AAA	364 Day
CAN	Toronto Dominion Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
FIN	# Nordea Group	20	364 Day					
	Nordea Bank Finland	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SWE	Nordea Bank AB	20	364 Day	364 Day	SB	AA-	AAA	364 Day
FRA	Credit Industriel et Commercial	15	6 Months	6 Months	SB	A+	AA	6 Months
FIN	Pohjola Bank	20	364 Day	364 Day	SB	A+	AAA	364 Day
GER	DZ Bank AG	20	364 Day	364 Day	SB	AA-	AAA	364 Day
GER	Landesbank Hessen-Thuringen Girozentrale (Heleba)	20	364 Day	364 Day	SB	A+	AAA	364 Day
NETH	Bank Nederlande Gemeenten	25	24 Months	24 Months	SB	AA+	AAA	24 Months
NETH	Cooperative Centrale Raiffeisen Boerenleenbank BA (Rabobank)	20	364 Day	364 Day	SB	AA-	AAA	364 Day
NETH	ING Bank NV	15	6 Months	6 Months	SB	A+	AAA	6 Months
SING	DBS Bank Ltd	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SING	Oversea Chinese Banking Corporation Ltd	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SING	United Overseas Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
SWE	Skandinaviska Enskilda Banken AB	20	364 Day	364 Day	FO	A+	AAA	364 Day
SWE	Swedbank AB	20	364 Day	364 Day	FO	A+	AAA	364 Day
SWE	# Svenska Group	20	364 Day					
	Svenska Handelsbanken	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	Svenska Handelsbanken - 35 Day Notice Account	20	364 Day	364 Day				364 Day
	Svenska Handelsbanken- 10 Day Notice Account	20	364 Day	364 Day				364 Day
	Svenska Handelsbanken- Call Account	20	364 Day	364 Day				364 Day
USA	Bank of New York Mellon	25	24 Months	24 Months	SB	AA	AAA	24 Months
USA	Bank of America	15	6 Months	6 Months		A+	AAA	6 Months
USA	JP Morgan Chase Bank	20	364 Day	364 Day	SB	AA-	AAA	364 Day
	5 AAA Money Market Funds							
	# MMF Group	100	24 Months					
	HSBC Global Liquidity Fund	20	24 Months			AAA		
	SWIP Global Liquidity Fund	20	24 Months			AAA		
	Morgan Stanley Sterling Liquidity Fund	20	24 Months			AAA		
	Deutsche Managed Sterling Fund	20	24 Months			AAA		
	Insight GBP Liquidity Fund	20	24 Months			AAA		
	IGNIS Liquidity Fund	20	24 Months			AAA		
	# Group Limit of applies where indicated.							
	** A maximum of 20% of total funds to be held in the Building Society Sector.							
	** No more than 20% of total funds to be held in any one institution or group,excluding Govt/MMFs.							
	Any adverse press comments concerning borrowers/potential borrowers should be referred to D Forbes / C Machej / K Tonge / N Kay.							
	Revised: 20th April 2016							

Definition of Credit Ratings and Credit Default Swap Spreads

Credit Ratings:

Long Term Rating (Fitch)

The Long Term rating assesses the borrowing characteristics of banks and the capacity for the timely repayment of debt obligations which apply to instruments of up to 5 years duration.

Long Term Ratings range from AAA, AA, A to DDD, DD, D. Only Institutions with Ratings of A+ and above are acceptable on the Councils Lending List as follows:

AAA - Highest Credit Quality - lowest expectation of credit risk. Exceptionally strong capacity for timely payment of financial commitments. Highly unlikely to be adversely affected by foreseeable events.

AA - Very High Credit Quality - Very low expectation of credit risk. Very strong capacity for timely payment of financial commitments. Not significantly vulnerable to foreseeable events.

A - High Credit Quality - Low expectation of credit risk. Strong capacity for timely payment of financial commitments. More vulnerable to adverse foreseeable events than the case for higher ratings.

“+” Or “-” may be appended to a rating to denote relative status within major rating categories.

Sovereign Ratings (Fitch)

The Sovereign (Governments of Countries) Rating measures a sovereign’s capacity and willingness to honour its existing and future obligations in full or on time. It looks at factors such as:

- Macroeconomic performance and prospects;
- Structural features of the economy that render it more or less vulnerable to shocks as well as political risk and governance factors;
- Public finances, including the structure and sustainability of public debt as well as fiscal financing;
- The soundness of the financial sector and banking system, in particular with respect to macroeconomic stability and contingent liability for the sovereign; and
- External finances, with a particular focus on the sustainability of international trade balances, current account funding and capital flows, as well as the level and structure of external debt (public and private).

Sovereign Ratings range from AAA, AA, A to DDD, DD, D. Only countries with a Sovereign Rating AA- are acceptable on the Councils Lending List.

Credit Rating Watches and Outlooks issued by Credit Rating Agencies

Rating Watches -indicate that there is a heightened probability of a rating change in the short term either in a positive or negative direction. A Rating Watch is typically event-driven and, as such, it is generally resolved over a relatively short period.

Rating Outlooks -indicate the direction a rating is likely to move over a one- to two-year period reflecting a position not yet reached but if trends continue will do so hence triggering a rating move.

Money Market Fund Rating (Moody's)

Aaa/MR1+ - this rating denotes the lowest expectation of default risk. It is assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events. Funds rated MR1+ are considered to have the lowest market risk.

Credit Default Swap (CDS) Spreads

A CDS is effectively a contract between two counterparties to 'insure' against default. The higher the CDS price of a counterparty, the higher the supposed risk of default. The CDS level therefore provides a perceived current market sentiment regarding the credit quality of a counterparty and generally the movement in the CDS market gives an early warning of the likely changes in credit ratings of a counterparty.

Sector has employed a benchmark system which compares the CDS spread of a counterparty against a pre-determined benchmark rate (iTraxx Senior Financial Index) to produce a CDS status overlay of 'In Range', 'Monitoring' or 'Out of Range' and this status is used to further determine the creditworthiness of the counterparty.

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Lincolnshire County Council

Monthly Investment Analysis Review

September 2016



Lincolnshire County Council

Monthly Economic Summary

General Economy

This month there was still a focus on the UK's decision to leave the European Union. The hard data released however, was more positive than many expected. Nevertheless, the path to Brexit is a long one and while the initial impact may be less than feared, it does not mean that issues will not materialise over the medium term. Furthermore, the active stance taken by the Monetary Policy Committee last month, including cutting interest rates to 0.25%, will also have likely supported the recent rebound in activity.

A boost to exports and more than a 10% fall in the value of the pound helped the PMI manufacturing activity survey recover from initial Brexit impacts and rise to a 10 month high. In August activity in the sector jumped to 53.3, from 48.2 in July. Export orders flowed at their fastest rate for two years whilst factories increased output by the highest amount since January. Construction activity also recovered in August, with the PMI headline reading rising to 49.2 from 45.9 in July, suggesting the economy is stabilising post the referendum vote. However, activity in the sector still remains slightly below 50, the level that divides "expansion" from "contraction". Economists now fear the construction industry will face further issues in the face of strong inflation pressures with raw material prices rising by their fastest pace in five years. Completing the set, service sector activity had the biggest one month gain in the PMI survey's history as it soared to 52.9 in August from 47.4 in July. This boosted the composite PMI activity reading to a five month high of 53.2. If the uplift in sentiment transfers to "hard" economic output data then it would suggest that an imminent recession will be avoided and puts the possibility of a second rate cut before the end of the year more in the balance.

The Bank of England met in September and voted unanimously to keep interest rates at a record low of 0.25% whilst also leaving the bond buying schemes unchanged. Furthermore, they improved their Q3 growth forecast, predicting that growth will be closer to 0.3% as opposed the 0.1% they originally forecast. Nevertheless, the Bank said they are still likely to cut interest rates again this year with a further cut of 0.1basis points expected when they next meet in November.

British inflation held firm remaining at an annual rate of 0.6% in August, slightly below the 0.7% forecast. Clothing and hotels had lower prices, counteracting the price rise in fuel prices, food and airfares. In terms of growth, the service sector exceeded initial estimates in Q2 and this resulted in final UK Q2 GDP growth being revised to 0.7% from 0.6%.

In the three months to August employment rose by 174,000 showing there has not yet been any post Brexit shedding. Unemployment is still expected to rise, however, as companies wait for greater clarity on the UK's exit deal from the European Union. Growth in workers' wages slowed in August, signalling a tough period ahead as British households are likely to face higher inflation as a result of the weaker pound.

UK Public Sector Net Borrowing for August registered a deficit of £10.55bn, but lower than the £11.47bn figure recorded for the same period last year. However, it failed to meet the forecast of just £10bn. The Office for National Statistics stated there was little impact from the Brexit vote as Income and Corporation Tax receipts rose strongly.

Retail sales calmed in August, falling -0.2% after strong growth in July of 1.9%. Despite the slight fall there is still a pattern of strong growth in the sector on an annual basis as sales volumes are up 6.2% compared with last year and higher than the forecast of 5.4%. John Lewis has mentioned they have noticed little impact of the Brexit vote, but they suggested that the full impact has not yet become clear.

Adding to the positive tone to data releases was figures for UK's trade balance in July. The deficit in the UK's goods balance improved to -£11.764bn in July from a revised -£12.920bn in June. Conversely, the services balance fell slightly to £7.262bn in July from £7.347bn in June.

Q2 GDP growth was also published for the Eurozone this month. GDP was up 0.3% in the euro area and by 0.4% in the EU28, with annual growth rates of 1.6% and 1.8% respectively. Exports were a leading factor in this growth, increasing by 1.1% in both areas. At the individual level, Germany grew at 1.7% and France at 1.4% but Romania (5.9%) and Slovakia (3.7%) published the highest growth rates. With regards employment across the region, the unemployment rate remained at its lowest level since July 2011 at 10.1%, down from 10.7% in August a year ago. The EU 28 also remained stable at 8.6%, down from 9.3% in August 2015. The lowest unemployment rates were recorded in the Czech Republic (3.9%) and Germany (4.2%), whilst Spain remained as one of the highest, at 19.5%.

Across the Atlantic, non-farm payrolls improved by 151,000 in August, with the unemployment rate holding steady at 4.9%. This was less than the expected rise of 180,000 and a slowdown from the previous two months which had a combined rise of 546,000. Average hourly earnings only increased by a 0.1% and Americans worked fewer hours last month with average weekly hours dipping to 34.3. These figures have reignited the debate as to whether another interest rate hike before the end of the year will benefit the US economy. The final Q2 estimate for US GDP was upwardly revised this month, increasing from initial estimates of 1.1% to a 1.4% annualised growth rate. This rise was due to business' pumping more money into research and development and exports growing strongly.

Housing

Halifax house prices fell a further 0.2% in August, after falling 1.1% in July. The second consecutive month of falling house prices has caused the annual growth rate to decline to 6.9%, its lowest level in more than a year. This slowdown is supported by the British Bankers Association survey. According to the survey the number of mortgages approved fell to 36,997 in August, its lowest point since January 2015 and 21% lower than this time last year. Nationwide House prices reflect this slowdown has continued into September. While prices rose by 0.3% on the month, this was below that seen in August (0.6%) and pulled the annual rate down to 5.3% from 5.6% previously.

Forecast

Neither Capita Asset Services (CAS) nor Capital Economics altered their forecasts this month. It is mutually anticipated that another rate cut will occur in the last quarter of this year with CAS forecasting a potential hike occurring in the second quarter of 2018.

Bank Rate	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Capita Asset Services	0.10%	0.10%	0.10%	0.10%	0.10%
Capital Economics	0.10%	0.10%	0.10%	0.10%	0.10%

Lincolnshire County Council

Current Investment List

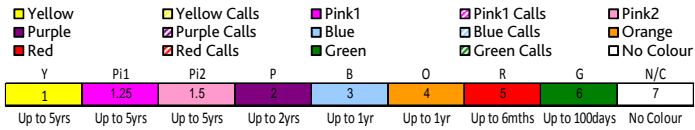
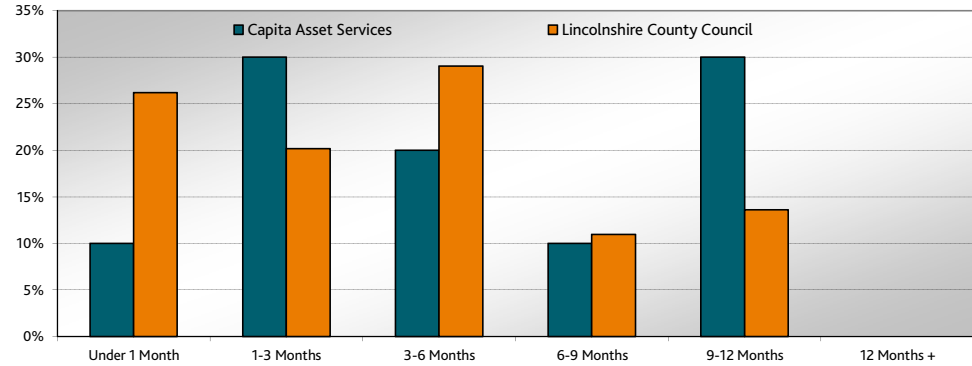
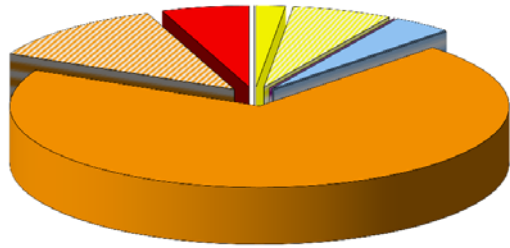
Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
MMF Standard Life	1,875,000	0.37%		MMF	AAA	0.000%
MMF Aberdeen	15,315,000	0.38%		MMF	AAA	0.000%
Svenska Handelsbanken AB	8,000,000	0.50%	05/07/2016	05/10/2016	AA-	0.000%
Landesbank Hessen-Thuringen Girozentrale	6,725,000	0.76%	13/04/2016	13/10/2016	A	0.002%
Toronto Dominion Bank	5,000,000	0.80%	16/10/2015	14/10/2016	AA-	0.000%
Toronto Dominion Bank	5,000,000	0.81%	16/10/2015	14/10/2016	AA-	0.000%
Credit Industriel et Commercial	8,950,000	0.75%	18/04/2016	18/10/2016	A	0.003%
Toronto Dominion Bank	8,500,000	0.90%	29/10/2015	27/10/2016	AA-	0.000%
HSBC Bank Plc	10,000,000	0.37%		Call30	AA-	0.001%
United Overseas Bank Ltd	6,775,000	0.80%	04/11/2015	02/11/2016	AA-	0.001%
Svenska Handelsbanken AB	12,000,000	0.35%		Call35	AA-	0.001%
Toronto Dominion Bank	1,500,000	0.89%	06/11/2015	04/11/2016	AA-	0.001%
DZ Bank AG (Deutsche Zentral-Genossenschaf	7,079,000	0.63%	19/05/2016	21/11/2016	AA-	0.001%
DBS Bank Ltd	5,000,000	0.63%	31/05/2016	30/11/2016	AA-	0.001%
Credit Industriel et Commercial	6,050,000	0.70%	03/06/2016	05/12/2016	A	0.012%
North Tyneside Metropolitan Borough Council	5,000,000	0.75%	23/12/2015	21/12/2016	AA	0.001%
HSBC Bank Plc	10,000,000	0.62%		Call90	AA-	0.002%
United Overseas Bank Ltd	4,675,000	0.58%	01/07/2016	03/01/2017	AA-	0.002%
Commonwealth Bank of Australia	5,000,000	0.85%	07/01/2016	05/01/2017	AA-	0.002%
Bank of Montreal	5,000,000	0.85%	19/01/2016	17/01/2017	A+	0.020%
Landesbank Hessen-Thuringen Girozentrale	8,400,000	0.90%	22/04/2016	23/01/2017	A	0.021%
Landesbank Hessen-Thuringen Girozentrale	4,800,000	0.93%	25/04/2016	25/01/2017	A	0.021%
National Australia Bank Ltd	5,450,000	0.80%	03/02/2016	01/02/2017	AA-	0.002%
Nordea Bank AB	5,000,000	0.68%	08/06/2016	08/02/2017	AA-	0.002%
Bank of Montreal	10,000,000	0.80%	12/02/2016	10/02/2017	A+	0.024%
Swedbank AB	5,000,000	0.44%	18/08/2016	17/02/2017	AA-	0.003%
Commonwealth Bank of Australia	10,000,000	0.90%	11/03/2016	10/03/2017	AA-	0.003%
United Overseas Bank Ltd	8,550,000	0.75%	11/05/2016	13/03/2017	AA-	0.003%
Commonwealth Bank of Australia	5,000,000	0.97%	31/03/2016	30/03/2017	AA-	0.003%
Cooperatieve Rabobank U.A.	3,925,000	0.55%	05/07/2016	05/04/2017	A+	0.034%

Lincolnshire County Council

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
The Royal Bank of Scotland Plc	3,446,000	0.97%	19/05/2016	17/05/2017	BBB+	0.094%
The Royal Bank of Scotland Plc	1,000,000	1.12%	08/07/2016	17/05/2017	BBB+	0.094%
The Royal Bank of Scotland Plc	499,000	1.12%	08/07/2016	17/05/2017	BBB+	0.094%
The Royal Bank of Scotland Plc	2,037,000	0.78%	22/07/2016	17/05/2017	BBB+	0.094%
The Royal Bank of Scotland Plc	3,150,000	0.82%	27/07/2016	17/05/2017	BBB+	0.094%
Bank of Montreal	5,000,000	0.80%	27/05/2016	26/05/2017	A+	0.044%
DBS Bank Ltd	5,000,000	0.77%	27/05/2016	26/05/2017	AA-	0.004%
DBS Bank Ltd	5,000,000	0.80%	23/06/2016	22/06/2017	AA-	0.005%
Skandinaviska Enskilda Banken AB	5,000,000	0.58%	21/07/2016	20/07/2017	A+	0.054%
Skandinaviska Enskilda Banken AB	10,000,000	0.50%	05/08/2016	04/08/2017	A+	0.057%
Cooperatieve Rabobank U.A.	6,075,000	0.50%	08/08/2016	07/08/2017	A+	0.057%
DBS Bank Ltd	5,000,000	0.50%	26/08/2016	25/08/2017	AA-	0.006%
Cooperatieve Rabobank U.A.	10,000,000	0.57%	16/09/2016	15/09/2017	A+	0.064%
Total Investments	£264,776,000	0.67%				0.016%

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number =

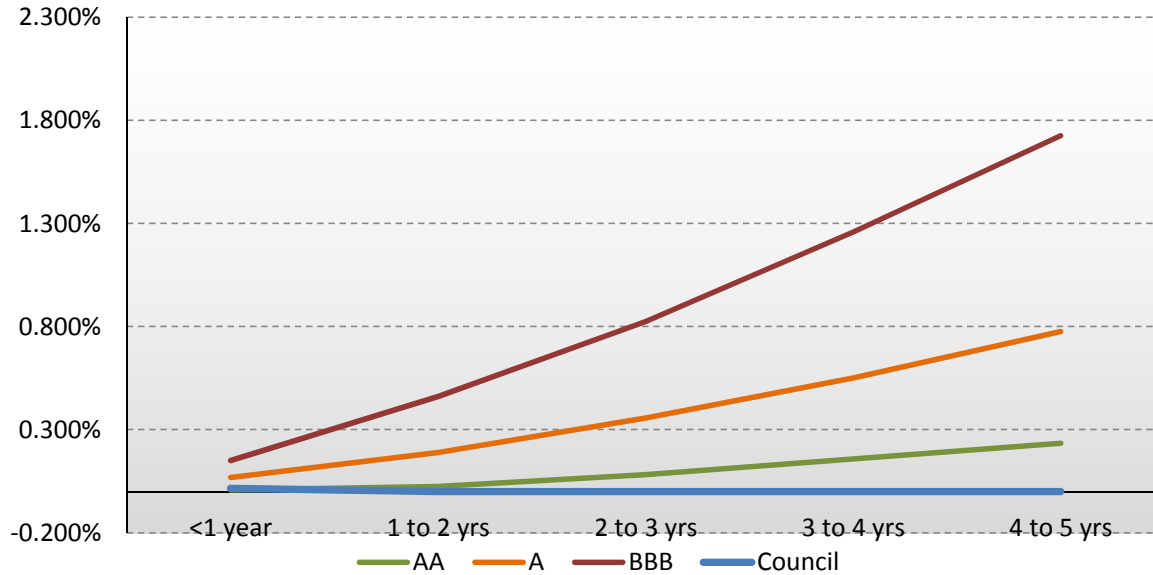
3.77

WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity
Excluding Calls/MMFs/ECFs

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	WAM	WAM at Execution
Yellow	8.38%	£22,190,000	77.47%	£17,190,000	6.49%	0.47%	18	82	82	364
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	3.83%	£10,132,000	0.00%	£0	0.00%	0.91%	229	321	229	321
Orange	82.13%	£217,454,000	14.72%	£32,000,000	12.09%	0.68%	135	272	150	311
Red	5.67%	£15,000,000	0.00%	£0	0.00%	0.73%	37	184	37	184
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£264,776,000	18.58%	£49,190,000	18.58%	0.67%	123	253	144	304

Investment Risk and Rating Exposure

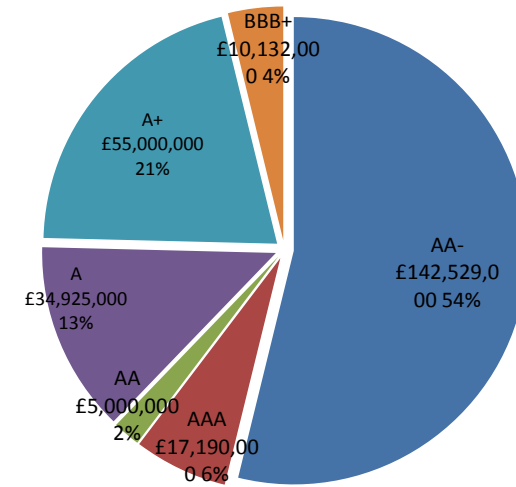
Investment Risk Vs. Rating Categories



Historic Risk of Default

Rating/Years	<1 year	1 to 2 yrs	2 to 3 yrs	3 to 4 yrs	4 to 5 yrs
AA	0.007%	0.024%	0.081%	0.158%	0.234%
A	0.067%	0.189%	0.356%	0.551%	0.775%
BBB	0.150%	0.460%	0.824%	1.257%	1.726%
Council	0.016%	0.000%	0.000%	0.000%	0.000%

Rating Exposure



Historic Risk of Default

This is a proxy for the average % risk for each investment based on over 30 years of data provided by Fitch, Moody's and S&P. It simply provides a calculation of the possibility of average default against the historical default rates, adjusted for the time period within each year according to the maturity of the investment.

Chart Relative Risk

This is the authority's risk weightings compared to the average % risk of default for "AA", "A" and "BBB" rated investments.

Rating Exposures

This pie chart provides a clear view of your investment exposures to particular ratings.

Monthly Credit Rating Changes
FITCH

Date	Update Number	Institution	Country	Rating Action
07/09/2016	1472	Newcastle Building Society	U.K.	Affirmed and withdrew the ratings of Newcastle Building Society. Long Term Rating affirmed at 'BB+', 'Stable Outlook', Rating Withdrawn. Short Term Rating affirmed at 'B', Rating Withdrawn.

Lincolnshire County Council

Monthly Credit Rating Changes
MOODY'S

Date	Update Number	Institution	Country	Rating Action
16/09/2016	1473	Norddeutsche Landesbank Girozentrale	Germany	Long Term Rating downgraded to 'A3' from 'A2', removed from 'Negative Watch' and placed on 'Negative Outlook'. Short Term Rating downgraded to 'P-2' from 'P-1', removed from 'Negative Watch'.

Lincolnshire County Council

Monthly Credit Rating Changes
S&P

Date	Update Number	Institution	Country	Rating Action
19/09/216	1474	Finland Sovereign Rating	Finland	Affirmed at 'AA+', Outlook changed to 'Stable' from 'Negative'.

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Open Report on behalf of Kevin Kendall, County Property Officer

Report to:	Value For Money Scrutiny Committee
Date:	22 November 2016
Subject:	Greater Lincolnshire One Public Estate (OPE) Programme Update

Summary:

OPE is a pioneering initiative delivered in partnership with the Cabinet Office government property unit (GPU) and the Local Government Association (LGA). It channels funding and expert support through councils to deliver cross-public sector collaboration on ambitious property-based projects. Each joint initiative will deliver against one or more of four core objectives:

- Create economic growth (homes and jobs)
- More integrated and customer-focused services
- Generate capital receipts
- Reduce running costs

OPE supports councils, central government and wider public sector asset holders to develop and deliver a range of projects which will improve local services and economies.

The Greater Lincolnshire (GL) partnership was awarded £340,000 as a result of a phase 3 bid placed in late 2015 and this enabled GL to establish an OPE programme for the long term. GL is currently awaiting decision upon award of funding as part of a phase 5 bid. The GL partnership has embraced the concept of One Public Estate as a way of working beyond the government programme and funding.

Actions Required:

Members of the Value for Money Scrutiny Committee are invited to note the contents of the report and asked to highlight any recommendations or further actions for consideration.

1. Current Position

When the OPE update was provided to the February 2016 VFM scrutiny committee the programme was in its early stages establishing membership, governance procedures, and ensuring local authority asset data was uploaded onto the governments e-PIMS asset mapping system. Since then the programme has evolved significantly.

Greater Lincolnshire's One Public Estate (GLOPE) Programme has gathered momentum throughout 2016, and has been well received across authorities and public sector partners, with good engagement being experienced across the region. The partnership holds a monthly, senior level board which is chaired by the Programme Sponsor, Manjeet Gill (West Lindsey District Council). Cllr Rob Waltham (Deputy Leader, North Lincolnshire Council) has recently joined the team as the Greater Lincolnshire Programme Champion. The OPE programme SRO is Kevin Kendall, County Property Officer and Amy Potts is OPE Programme Officer

Colleagues from the Government Property Unit and Local Government Association attend the board and offer support, particularly in engaging central government agencies. They have assisted GLOPE in overcoming engagement difficulties with the Ministry of Defence and Ministry of Justice. The GLOPE team are working closely with colleagues from the NHS to ensure alignment with Sustainability and Transformation plans (STPs) is made, as well as working with colleagues from and attending Housing Delivery and Housing and Infrastructure Group meetings (these are working groups to work towards delivery of 100,000 housing target – Housing Delivery reports up to Housing and Infrastructure).

The programme has been recognised as an enabling tool to the wider programmes of work that Greater Lincolnshire partners are undertaking. The Homes and Communities Agency are engaged with the agenda, support the local programme of work and enable alignment with their large scale, national programmes.

The key benefit that GL has experienced to date is the strong, ambitious coalition style partnership that has been created. Despite the uncertainty surrounding Devolution, the partnership has had a 'business as usual' attitude and continued to work towards delivering the agreed outputs and joint vision of GLOPE. The partnership has also recently placed a bid for further funding in Phase 5 of the national programme.

GLOPE have been visited by the Government Property Units' programme director, Angela Harrowing, and continue to receive positive feedback on the strength of partnership and progress to date.

2. Summary of live projects in the programme:

The programme themes are housing, health, regeneration, depots, asset challenge, and improved public services, and key progress on these is as follows:

2.1 Housing:

- Prince William of Gloucester Barracks, Grantham
- MoD Surplus Land
- Asset Challenge to identify surplus public sector land for housing

The MoD has declared the Grantham site surplus by 2020 and initial discussions have been held with SKDC and the Ministry of Defence. A Project Brief will be drawn up at later stage. The MoD announcement of release of further assets is expected shortly. In parallel to this an asset challenge process is being undertaken to identify other surplus public sector land for housing to contribute to Greater Lincolnshire's ambitious housing targets

2.2 Health:

- Horncastle
- Sustainability and Transformation plans (STP)

LCC are working with NHS colleagues to explore opportunities in Horncastle, the NHS have expressed keen interest in co-locating. The asset strategy contained in the STP is embracing a one public estate approach will be identifying co-location and collaboration opportunities when approved

2.3 Regeneration:

- St Peters Hill, Grantham
- West St, Boston

Project briefs are being developed for feasibility studies to enable the unlocking of public assets to promote the regeneration of the these sites

2.4 Depots:

- Greater Lincolnshire Depot Review

The review is looking at all public sector depots in Greater Lincolnshire. A full recommendations paper is due to the March 2017 GLOPE board, with a view to implementing. Currently property and usage data it being collated from all partners

2.5 Asset Challenge:

- Greater Lincolnshire Asset Challenge

Public Sector partners are currently assembling detailed property data. North Lincolnshire Council are leading on the data analysis, and then assisting in the formal asset challenge process, which is due to commence early 2017. Asset challenge will include a peer to peer challenge process to identify opportunities for disposals and collaboration and better use of assets. Following the challenge, formal recommendations will be presented to relevant senior officers/leaders at organisations.

2.6 Improved Public Services:

Feasibility studies will be commissioned to explore opportunities for co-location of multiple public services and potentially release land for housing in the following locations:

- Market Deeping Public Sector Hub
- Scunthorpe Public Sector Hub
- Skegness and East Lindsey Hub
- Spalding Public Sector Hub
- Caistor GP Services/Hub

Project briefs are currently being drafted and the theme lead is moving towards procurement of studies.

2.7 Outputs for Phase 3:

The estimated outputs for Greater Lincolnshire from the programme are as follows, these figures assume that all feasibility studies will prove viability of schemes:

- Housing 5490 units (est)
- Capital Receipts £57.9m (est)
- Revenue savings £3.2m (est)
- Investment £106.5m (est)

3. OPE phase 5

The Cabinet office launched a further funding phase of the OPE programme with a bid closing date of end October. The Greater Lincolnshire projects submitted to Cabinet Office for Phase 5 funding are as follows:

- Lamb Gardens, Lincoln – service co-location and housing
- Gainsborough Hub – Health and other public services hub
- Spalding Hub (Phase 2) – co-location of public services
- Blue Light Wider Estates Programme
- Cultural Facilities and Asset Development, North East Lincolnshire
- Laundon House, Sleaford

Predicted Outputs for Phase 5 projects (subject to Cabinet Office approval):

- Housing 219 units
- Capital Receipts £54.6m
- Revenue savings £1.285m
- Investment £5m

4. Future Reports

A further update will be presented to the relevant Scrutiny Committee in 2017.

5. Consultation

a) Policy Proofing Actions Required

This report does not require policy proofing.

6. Background Papers

No background papers within section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Amy Potts, who can be contacted on 01522 550620 or by email at amy.potts@lincolnshire.gov.uk

Policy and Scrutiny

**Open Report on behalf of Richard Wills,
Director responsible for Democratic Services**

Report to:	Value for Money Scrutiny Committee
Date:	22 November 2016
Subject:	Value for Money Scrutiny Committee Work Programme

Summary:

This item enables the Committee to consider and comment on the content of its work programme for the coming year to ensure that scrutiny activity is focused where it can be of greatest benefit. Members are encouraged to highlight items that could be included for consideration in the work programme.

The work programme will be reviewed at each meeting of the Committee to ensure that its contents are still relevant and will add value to the work of the Council and partners.

Actions Required:

Members of the Committee are invited to consider and comment on the work programme as set out in Appendix A to this report and highlight any additional scrutiny activity that could be included for consideration in the work programme.

1. Background

The Committee's work programme for the coming year is attached at Appendix A to this report. The Committee is invited to consider and comment on the content of the work programme.

Members are encouraged to highlight items that could be included for consideration in the work programme which are relevant and will add value to the work of the Council and partners.

2. Conclusion

To consider and comment on the Work Programme and highlight any additional scrutiny activity that could be included for consideration in the work programme.

3. Consultation

a) Policy Proofing Actions Required

This report does not require policy proofing.

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Value for Money Scrutiny Committee Work Programme

5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Daniel Steel, Scrutiny Officer, who can be contacted on 01522 552102 or by e-mail at daniel.steel@lincolnshire.gov.uk

VALUE FOR MONEY SCRUTINY COMMITTEE

Chairman: Councillor Mrs Angela Newton
Vice Chairman: Councillor Mrs Jackie Brockway

22 November 2016		
Item	Contributor	Purpose
Performance of the Corporate Support Services Contract	Judith Hetherington-Smith, Chief Information and Commissioning Officer	Performance Scrutiny
Corporate Support Services Contract - KPI review 2016/17	Judith Hetherington-Smith, Chief Information and Commissioning Officer	Status Report
Council Workforce Plan 2016-17 Update	Fiona Thompson, Service Manager - People	Status Report
Treasury Management Performance Quarter 2 (1 July to 30 September 2016)	Karen Tonge, Treasury Manager	Performance Scrutiny
One Public Estate Update	Kevin Kendall, County Property Officer	Status Report

17 January 2017		
Item	Contributor	Purpose
Budget Proposals 2017/18 for the commissioning strategies overseen by Value for Money Scrutiny Committee	Claire Machej, Head of Finance (Corporate)	Budget Scrutiny
Performance of the Corporate Support Services Contract	Judith Hetherington-Smith, Chief Information and Commissioning Officer	Performance Scrutiny
Housing Company Business Case Update	Kevin Kendall, County Property Officer	Status Report

28 February 2017		
Item	Contributor	Purpose
Performance of the Corporate Support Services Contract	Judith Hetherington-Smith, Chief Information and Commissioning Officer	Performance Scrutiny
Treasury Management Update 2016/17 - Quarter 3 Report to 31 December 2016	Karen Tonge, Treasury Manager	Performance Scrutiny
Treasury Management Strategy Statement and Annual Investment Strategy 2017/18	Karen Tonge, Treasury Manager	Annual Report

For more information about the work of the Value of Money Scrutiny Committee please contact Daniel Steel, Scrutiny Officer, on 01522 552102 or by e-mail at daniel.steel@lincolnshire.gov.uk