Lincolnshire COUNTY COUNCIL
Working for a better future

VALUE FOR MONEY SCRUTINY COMMITTEE
28 FEBRUARY 2017

PRESENT: COUNCILLOR MRS A M NEWTON (CHAIRMAN)

Councillors Mrs J Brockway (Vice-Chairman), P M Dilks, I G Fleetwood, A G Hagues, Mrs M J Overton MBE, R B Parker and P Wood

Councillors: M J Hill OBE and M A Whittington attended the meeting as observers

Officers in attendance:-

Paul Briddock (Partnership Director for SERCO), Andrea Brown (Democratic Services Officer), David Chefneux (Associate Director, Capita Asset Services), Sue Fletcher (Service Delivery Manager - {People), David Forbes (County Finance Officer), Ciaran Gaughan (Serco Contract Manager), Andrew Hancy (Business Support Manager), Tracy Johnson (Senior Scrutiny Officer), Sophie Reeve (Chief Commercial Officer), George Spiteri (Commissioning Performance and Assurance Manager), Daniel Taylor (CSC Service Lead), Fiona Thompson (Service Manager - People), Karen Tonge (Treasury Manager) and Richard Wills (Executive Director, Environment and Economy)

41 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillor C E D Mair and there were no replacement members in attendance.

42 DECLARATIONS OF MEMBERS' INTERESTS

There were no declarations of Members' interests at this point of the proceedings.

43 MINUTES OF THE LAST MEETING OF THE VALUE FOR MONEY SCRUTINY COMMITTEE HELD ON 17 JANUARY 2017

RESOLVED

That the minutes of the meeting of the Value for Money Scrutiny Committee held on 17 January 2017 be agreed and signed by the Chairman as a correct record.

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

It was reported that there were no announcements from either the Executive Councillor for Governance and Communications, Commissioning, Finance and Property or senior officers.

45 PERFORMANCE OF THE CORPORATE SUPPORT SERVICES CONTRACT

Consideration was given to a report from the Chief Commercial Officer which provided an update of Serco's performance against contractual Key Performance Indicators for November and December 2016.

Sophie Reeve (Chief Commercial Officer) introduced the report and confirmed that the verified performance figures for January 2017 had been circulated to the Committee via email but remained the same as those reported for December. Since the start of the contract, much fewer KPIs were not performing and the Committee was also asked to note that reporting against some KPIs had not been possible previously due to data being unavailable. It was reported that all KPIs could now be measured.

Members were referred to the following areas within the agenda pack for consideration:-

- Table 2 on page 14 highlighted three KPI failures within the People Management service area and the reasons for these failures;
- Page 15 referred to the Employee Life Cycle Project which would improve processes within the People Management service;
- It was noted that all payroll contacts received before April 2016 had now been resolved;
- Table 5 on page 17 was highlighted as a cause for concern as the current abandoned call levels and wait times remained high. It was recognised that the bulk of this was due to the implementation of Mosaic and largely out of the control of the Customer Service Centre (CSC) but it was an area targeted for improvement. CSC KPI04 showed that this area had been stable until December 2016 where it was placed in to mitigation when Mosaic training commenced. Additional staff had been recruited and once their training had been delivered performance was expected to improve;
- Table 7 on page 18 indicated that finance KPI01 had improved moved from red to amber. Scrutiny of that indicator had helped find improvements that could be made;
- December was expected to be a key month for performance following the change in some of the KPIs. Serco were hopeful that each indicator would be met by the end of March/early April 2017.

Members were invited to ask questions, during which the following points were noted:-

- Despite assurances, some Members remained concerned at the performance of Serco in delivery of the contract and expressed disappointment that the negative press in relation to school payroll and the report that a member of staff was nearly paid £1m had not been addressed. Paul Briddock, Partnership Director for Serco, advised that this had been addressed in the media at the time. He explained that the verification of payments for wages was a three stage process. In this case, the issues would have been found by Serco at the first check but, prior to this and at the schools request, the payment information was sent to schools so they had longer to carry out their checks. Following this incident, Serco now carried out their first check before the payment information to schools was sent. Paul Briddock assured Members that the second and third checks of the verification process would have made it impossible for anyone to be paid that amount of money. Serco was disappointed that the school had chosen to contact the press rather than raise this directly with them;
- Members stressed the need for openness when issues of this type occurred in order to sufficiently scrutinise the progress;
- Mitigation had been given to the KPIs noted due to the transition process for implementation of the Mosaic. This was common practice and would be relevant to other significant system updates;
- It was confirmed that the system was ready for use and that staff had been sufficiently trained. However, suggestions had been made by staff for improvement following 'live' usage of the system which again was to be expected and was welcomed;
- The Committee acknowledged that the abandoned call performance figures was adversely impacted by the new system implementation within Adult Social Care;
- Reputational damage remained a key concern of the Committee especially with the recent negative headlines in relation to payroll;
- A request was made for the exact number of schools and council staff who had referred to the Agresso/Serco issues as a factor for leaving employment within exit interviews since the start of the contract. The Committee requested a comparison with the same figures prior to the start of the contract;
- Although the decision of the Executive, the Committee suggested that the Recovery Board should continue into the new Council term as some Members would prefer this level of scrutiny to continue until the performance improved further.

RESOLVED

1. That the report and comments be noted; and
2. That information from Exit Interviews to which reference was made to issues regarding Serco/Agresso be provided if available.

46 TREASURY MANAGEMENT UPDATE 2016/17 - QUARTER 3 TO 31 DECEMBER 2016

Consideration was given to a report by the Executive Director of Finance and Public Protection which detailed the Council's treasury management activities for 2016/17 to 31 December 2016 and compared that activity to the Treasury Management Strategy for 2016/17 and issues which may have arisen in treasury management during that period.

Karen Tonge (Treasury Manager) introduced the report and advised that there was no update on interest rate projections since the report was published. David Chefneux (Associate Director, Capita Asset Services) was also in attendance for this item.

During discussion, the following points were noted:-

- It was confirmed that the Authorised Limit for External Debt in 2016/17, as noted within the table on page 51, was a requirement of the CIPFA financial code and would be reset for 2017/18;
- Other authorities had taken risk with capital but this option had not been made available within this Council's policy as it was not a route the Authority was confident would be successful;
- Should a product be taken using a "Lender's Option, Borrowers Option" (LOBO) there was a fixed period where no changes could be made. Once that period ended, the lender was able to change the rate which then gave the borrower the option to pay back the loan or to accept the new rate;
- The Committee was assured that this Authority did not lend money directly to Deutschebanke but did invest in the fund they were custodians of. The fund was ringfenced and it was confirmed that they were not on the Council's Lending List as a separate entity;
- Clarification was provided that the LGA bond initiative was not a product which could be invested in. This was an alternative to PWLB borrowing;
- The cost of borrowing was just over 4% at present which equated to approximately £20m/year.

The Committee thanked the Treasury Manager for another concise report and noted that double the benchmark was achieved over the quarter. The efforts of the team were appreciated by the Committee.

RESOLVED

That the report and comments be noted.

47 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2017/18

Consideration was given to a report by the Executive Director of Finance and Public Protection which provided the annual statement and set out the expected treasury activities for the forthcoming year 2017/18. The annual report had been prepared in

accordance with the 2011 CIPFA Code of Practice for Treasury Management in the Public Sector.

The report also included the Annual Investment Strategy which set out the Council's policy of investing surplus cash for the year ahead and was prepared in accordance with the Local Government Act 2003 which came into effect on 1st April 2004.

Karen Tonge (Treasury Manager) introduced the report and referred the Committee to paragraph 2.4.4 on page 73 which had been referred to during consideration of the previous item where the Council's Authorised Limit for External Debt for 2017/18 to 2019/20 was also included. David Chefneux (Associate Director, Capita Asset Services) was also in attendance for this item.

During discussion, the following points were noted:-

- The Authorised Limit for External Debt was a Prudential Indicator calculated internally. Factors considered when calculating this limit were the existing debt balance, the proposed borrowing requirements and the balance of Other Financial Liabilities (including leasing and PFI). A margin of debt was also added to allow for any unforeseen debt required during future periods;
- The Council also set further internal Prudential Limits to ensure that planned borrowing requirements remained prudent, affordable and sustainable. One of these limits was confirmed as no more than 10% of the Council's total net revenue stream should be used to repay debt. The current level of repayment was forecast to be around 6.5% by 2019/20;
- It was queried whether the Council should be minimising its borrowing to match what was required. It was noted that there was always a borrowing requirement each year for the capital programme. This borrowing requirement was met by both external and internal borrowing to minimise debt and investment levels.

RESOLVED

1. That the report and comments be noted; and
2. That the comments of the Committee be passed on to the Executive Councillor with responsibility for Finance.

The Chairman took the opportunity to thank Karen Tonge (Treasury Manager) for her advice and support to the Committee over the last four years.

48 COUNCIL WORKFORCE PLAN 2016-2017 - AGENCY WORKER USAGE UPDATE

Consideration was given to a report by the Executive Director responsible for People Management which provided information on the use of, and management of, agency staff within the Council.

Fiona Thompson (Service Manager – People) introduced the report which detailed the arrangements through the corporate contract for agency workers as part of the Councils' workforce planning arrangements.

Detailed workforce planning was managed by individual service areas which reflected the diversity of the different professions across the Council with standards determined by both professional and government requirements. The current groups defined as hard-to-recruit and/or retain staff, where there had been higher usage of agencies, had included Social Care; Lawyers; Procurement; Engineers; and Planners. It had been difficult to recruit into these roles due to the external market or wider issues across the UK in relation to these skill sets.

There were a number of current initiatives designed to address recruitment and retention in high risk areas. The Succession Planning Pilot in Children's Services Social Work continued in order to develop staff for future roles. In 2017, this approach would also be considered by other services areas of the Council.

In addition, the Early Careers Offer was being reviewed to ensure active management and central coordination of a more integrated early careers offer. This would address the challenges identified in the recruitment and retention of young people and was hoped would ensure the development and retention of scarce skills through 'grow our own' approaches. The opportunity had been presented by the new Government Apprenticeship Reforms for employers to develop skills and would be introduced from April 2017, including all age apprenticeships.

Further work was being undertaken to review, modernise and improve the Serco Recruitment Service, the outcome of which would be improve recruitment outcomes by delivering a more candidate focussed, pro-active and modern recruitment service.

The range of workforce planning initiatives would be coordinated by the Strategic People Management Team, alongside Senior Managers and Workforce Leads and evaluated throughout 2017/18 to determine their effectiveness.

The Committee was pleased with the content of the report and had no comments to make.

RESOLVED

That the report be noted.

The Chairman thanked Fiona Thompson (Service Manager – People) for her support and advice to the Committee over the last four years.

49 OPTIONS FOR UNITARY LOCAL GOVERNMENT IN LINCOLNSHIRE

Consideration was given to a report by the Chief Executive which outlined the high-level analysis undertaken on possible unitary models as they would apply to Lincolnshire.

At 12.08pm, Councillor M J Hill, joined the meeting.

George Spiteri (Strategic Commercial and Performance Manager) introduced the report and explained that the current two-tier local government structure for Lincolnshire was originated in 1974 but that recent reforms in a number of other counties had since removed the two-tier structure in favour of unitary authorities.

Where the two-tier structure remained, its inherent tensions, most evident in respect of services such as waste, transport and planning, required complex 'interfaces' to be negotiated but which were rarely efficient and frequently expensive. Other services were duplicated, for example economic development and tourism. Political differences between authorities had made focussed local direction of some services, plans or programmes difficult and occasionally impossible with additional friction and frustration. Finances had also been strained, particularly in this decade of austerity.

The Local Government Association (LGA) within their 'Future Funding Outlook for Councils 2019/2020' demonstrated that the overall funding shortfall nationally would be £9.5bn. The funding gap for Lincolnshire County Council alone could reach £75.5m by the end of this decade.

In consideration of these pressures, the creation of more unitary authorities was increasingly viewed as a self-evident means of improving the effectiveness of local government and increasing value for money. Unitary proposals in respect of Buckinghamshire, Oxfordshire and Dorset had been referred to in recent months but others were also being prepared.

The Committee was invited to ask questions, during which the following points were noted:-

- When asked why this report had been brought for the Committee's attention, the Chairman confirmed that she had requested the report in an email, copied to the Committee, on 10 February 2017. It was requested that the report include an outline of the analysis undertaken on unitary options in Lincolnshire for the rationalisation of service operations. The intent had not been to provide a business case but an options appraisal on unitary authorities at this stage;
- The Chairman also confirmed that modelling of a potential unitary authority for Lincolnshire had not been requested as it would be for Members to provide suggestions on future modelling. The report was intended to generate some thought and debate at this stage only;
- Some Members noted concern that the Committee had not requested this report or set Terms of Reference and were therefore disappointed that a counterargument had not been put;
- Information provided within the report had been taken from evidence of other councils who had transformed into a unitary authority. These transformations had taken between two and three years and at an approximate cost of £20m. A considerable amount of modelling would be required before this could take place;
- Evidence suggested that nearly 50% of county councillors were also district councillors and parish councillors. A model needed to be developed in each

area to ensure an appropriate level of representation was found for residents but it was acknowledged that this may be a subjective argument;

- Most services would be delivered by local staff in local areas but would be employed by the same administration. It was suggested that the majority of savings would be made from upper tier management;
- The Committee was assured that consideration of a unitary authority was not just to save money but to improve the quality of services for residents;
- A high level analysis of savings for all back office functions would be done as it was suggested that a saving from seven teams could potentially be made;
- The central point for a potential unitary authority in Lincolnshire caused concern for some Members as it was thought that Lincoln was not the central point of the county;
- A report which documented the research undertaken by the County Council Network and a report by Ernst and Young (referred to on page 127 of the agenda pack) were considered helpful to assist Councillors with future debate.

The Committee agreed that a report be presented to the Overview and Scrutiny Management Board in the new Council term following discussions between Group Leaders and relevant officers. It was requested that this report should include relevant options and to give focus to localness rather than remoteness.

RESOLVED

1. That the report and comments be noted; and
2. That a further report be presented to the Overview and Scrutiny Management Board following consideration by Group Leaders and relevant officers.

50 VALUE FOR MONEY SCRUTINY COMMITTEE WORK PROGRAMME

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

Tracy Johnson (Senior Scrutiny Officer) introduced the report and confirmed that, as this was the last meeting of the Committee, there was nothing to report.

The Chairman thanked Members and Officers for their support over the last four years.

The meeting closed at 1.10 pm