



**VALUE FOR MONEY SCRUTINY
COMMITTEE
26 JANUARY 2016**

PRESENT: COUNCILLOR MRS A M NEWTON (CHAIRMAN)

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

Councillors: M J Hill OBE and M S Jones attended the meeting as observers

Officers in attendance:-

Paul Briddock (Partnership Director – Serco), Andrea Brown (Democratic Services Officer), David Forbes (County Finance Officer), Andrew Hancy (Business Support Manager (Management Side)), Judith Hetherington Smith (Chief Information and Commissioning Officer), Kevin Kendall (County Property Officer), Claire Machej (Head of Finance (Corporate)), Pete Moore (Executive Director of Finance and Public Protection) and Nigel West (Head of Democratic Services)

28 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillor I G Fleetwood. There were no replacement members in attendance.

29 DECLARATIONS OF COUNCILLORS' INTERESTS

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

30 MINUTES OF THE MEETING OF THE VALUE FOR MONEY SCRUTINY COMMITTEE HELD ON 24 NOVEMBER 2015

RESOLVED

That the minutes of the Value for Money Scrutiny Committee meeting held on 24 November 2015 be agreed as a correct record and signed by the Chairman.

31 REVENUE AND CAPITAL BUDGET PROPOSALS 2016/17

Consideration was given to a report from the Executive Director of Finance and Public Protection which described the budget proposals arising from the Provisional Local Government Settlement announced on the 17 December 2015. The report also included the implications for the Commissioning Strategies within the responsibility of the Value for Money Scrutiny Committee – *"How We Do Our Business"* and *"Enablers and Support to Council's Outcomes"*.

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Claire Machej, Head of Finance (Corporate), guided the Committee through the report and invited relevant officers to introduce details of their own service areas.

David Forbes, County Finance Officer, introduced the Budget and Policy Framework – Finance and Audit (paragraph 1.11), Fisheries precept – Inshore Fisheries and Conservation Authority (IFCA) (paragraph 1.12) and Decision making, including Democratic Processes (paragraph 1.13).

During discussion of this section of the report, the following points were noted:-

- The Inshore Fisheries and Conservation Authority (IFCA) Board had two LCC elected members and a further 21 members;
- It was clarified that the penalties incurred by SERCO were within this financial year and further confirmed that the full amount of penalties available under the contract had been taken this year;
- The reduction in counter fraud activity may be avoided depending on the available wider initiatives as part of the local government finance settlement. The message received from Government was that if schemes could be developed to reduce county fraud activity, capital receipts could be used to support that work;
- In relation to internal audit, caution would be taken not to reduce the level of input too far as the external auditors had the ability to undertake the required level of internal audits themselves and invoice the local authority for that work which would prove more costly;
- Although the Government offered the local authority a four year deal, this presented a number of complications, advantages and disadvantages. The DCLG had suggested a clear and set format for DCLG grants but other grants were also available from other government departments. As a result, it was difficult to set a four year budget as the other Government departments had not offered a similar four year deal. The four year efficiency statement produced by local authorities was not expected to be required until September/October 2016 and, although it may be in the Council's best interest to do that, there were a number of uncertainties at the present time;
- It was confirmed that capital receipts within the revenue budget could also be used for other areas. This was currently out to consultation but, for the next three years, capital receipts could be used on capital expenditure designed to expand the business and reduce expenditure. For example, capital receipts could be used for redundancy charges;

Judith Hetherington Smith, Chief Information and Commissioning Officer, introduced the section on Information Management and Technology (IM&T) Strategy and Support (paragraph 1.16) where the focus was to negotiate with suppliers to reduce third party costs.

During discussion, the following points were noted:-

- Confirmation was received that the broadband project was completely separate to the IM&T budget. Broadband was a joint project with BDUK and funding was to be used for that project only;

- The savings would increase towards the end of the contract as the Council moved away from using its' own IT estate;
- It was asked why the costs were apportioned to 2016/17 rather than 2015/16 or 2014/15 and an explanation given that some of the actions had happened in those years but would continue into the next financial year also. Current contracts would be reviewed when the need arose for different technology and negotiations with suppliers to reduce costs wherever possible.

Kevin Kendall, County Property Officer, introduced the section on Property Strategy and Support (paragraphs 1.17 and 1.18) and explained that the staffing costs were to be reduced by 13% but this would also be on a rolling programme which would run in to the 2016/17 financial year.

During discussion, the following points were noted:-

- Community "Right to Buy" was run in conjunction with District Councils and Lincolnshire County Council had, in the past, leased buildings to local communities although this was dependent on individual circumstances;
- The county could also offer peppercorn leases but they were also dealt with on merit on a case by case basis. These types of leases were typically only entered into a small number of times each year and officers agreed to provide a full list for the Committee;
- Current focus was on rationalising office accommodation with consideration of possibly selling County Farms at a later date in order to generate capital receipts;
- Before sale of any property, a business case was undertaken where consideration was given to the comparison to sell or rent over a period of time. The renting option did not always generate the income as quickly as selling would but all options were considered on a case by case basis;

Judith Hetherington Smith, Chief Information and Commissioning Officer, introduced the section on Commissioning (paragraph 1.21) and explained that the savings had been made by removing vacant posts. The transformation fund would also be removed after this year and it was confirmed that the fund currently stood at £250k.

During discussion, the following point was noted:-

- The commissioning team was one of the teams who save the Council a considerable amount of money. A specialist commissioning team had been implemented, following the restructure last year, which had worked hard to generate millions of pounds of savings for the Council. It was acknowledged that the restructure of the team had generated a considerable amount of savings also.

Andrew Hancy, Business Support Manager (Management Side), introduced Business Support (paragraph 1.22) and advised that a number of methods were to be used to achieve the savings. The majority of the budget within Business Support was apportioned to staffing costs used to support different service areas and as those areas reshape and change, so would Business Support. For example, business support to Fire & Rescue had reduced by 20% following their restructure, with posts

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being removed as necessary. Consideration was also being given to reductions in corporate support budgets such as the removal of the courier service which would generate further savings.

During discussion, the following points were noted:-

- Concern was raised about the removal of the graduate scheme within the Council as it was thought that the work undertaken by Graduates would still need to be done by other staff but potentially at a higher cost. It was explained that there was a move to apprenticeships as a result of the Apprenticeship Levy. The levy was a requirement therefore there was a need to negate the impact of the levy by the savings made as a result of having an apprentice. At any one time there were approximately 30 apprenticeships and four graduate trainees;

The Head of Finance (Corporate) continued by introducing the section on Strategic Communications (paragraph 1.23). During discussion, the following points were noted:-

- It was suggested that the proposed saving of 0.89% did not appear to be at the same level as other savings proposed across the Council. It was explained that the Communications team had previously undergone a large restructure in 2011 where the team had reduced by nearly 50% although it was advised that the web team had since been disbanded and replaced with the smaller digital engagement team as part of the Communications team. Those teams had saved the Council a considerable amount of money in terms of using the internet more effectively. The Communications team did give good value at present but that would not prevent consideration of further savings in that area in the future;
- Although the value of the communications department was acknowledged, some Members felt that the public did not agree and were particularly critical of County News and the cost involved in producing it;
- County News cost in the region of £200k per year to produce, the main cost of which was for delivery to every household in Lincolnshire. There were legal obligations for the Council to publish certain information each year, Members Allowances and changes to Library Services, for example, which was done through County News. Should the publication be withdrawn, an alternative would need to be sought to ensure these notices reached every household to continue with appropriately engaging with and informing the public;
- Web pages where residents must register, as some other Councils had, was an option but until a comprehensive database of residents who had internet access was available this would not be viable. It was acknowledged that as more residents had internet access, sending out a quarterly newsletter would eventually be unsustainable;
- A suggestion was made to make County News self-financing by selling advertising space. This had been considered previously but the dilemma had been to decide what type, and quantity, of advertising would be appropriate without detracting from the articles;
- It was suggested that residents may have been supportive of County News if they supported the administration group and it needed to be a balanced

consultative document. This point was challenged as County News was not a politically based publication and all articles were relevant to all residents and not any particular political party;

- The demand on social media had been increased which required resource management but further assurance was given that this area would be reviewed at an appropriate time;
- Some Members reported that feedback received during surgeries within their own areas indicated that a lot of residents referred to County News and saved the publication when it included helpful information;
- The perception of County News was how it looked to the public. As a nice looking publication, it was perceived that this would be expensive to produce, which it was not;
- It was confirmed that in 2009 the Communications team consisted of 27 members of staff with an additional, separate, web team. As of today, the team consisted of 19 staff which included the reduced size web team;

The County Property Officer introduced the section on Capital Programmes (paragraph 1.24) where the following point was clarified:-

- The figure of £2.950m quoted within paragraph 1.26 was an essential element of the Capital Programme as it dealt with P1 repairs.

The Head of Finance (Corporate) continued and introduced the section regarding Other Consultations (paragraph 1.27). During discussion the following points were noted:-

- When asked if County News had been mentioned throughout the consultation it was advised that, within the public sessions to-date, there had been very little comment in relation to County News;
- The Committee was advised that, included with the report to the Executive, Appendix G would give a breakdown of the comments received from those consultations. Over 200 pages of comments had been received which would be condensed into key themes;
- It was suggested that it might have been helpful to each Scrutiny Committee to have that information for their consideration as it would give an indication of the public response to the proposals within the remit of those Committees;
- An update of the consultation process to-date would be provided to the Overview and Scrutiny Management Committee on 28 January 2016;
- The main comments received so far had been in relation to public transport with some concerns around highways maintenance and winter gritting. Within Lincoln there had been particular interest in regard to Children's Centre. The main issue raised which was relevant to the Value for Money Scrutiny Committee was in relation to Member's Allowances;
- There had been a large number of specific workshops held for Members to give budget information from specific service areas which had been helpful, providing Member engagement much earlier than in previous years. The Committee felt that this was a significant step forward and asked that the thanks of the Committee for these opportunities be included within the comments to the Executive;

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During general discussion of the report, the following points were noted:-

- It was suggested that the relationship between the Executive and Scrutiny Committees could be further improved if the Executive were to provide feedback to individual Committees on their comments, for example why suggestions had been accepted, or not. It was felt that this could also improve discussions at Scrutiny Committees;
- The Committee gave a vote of thanks to the Council staff who had worked tirelessly to ensure that issues with the new systems had been greatly improved to enable the business of the Council to continue.

RESOLVED

1. That the report and comments be noted; and
2. That the comments of the Value for Money Scrutiny Committee, as noted in the discussion points above, be referred to the Executive for their consideration.

32 CONTRACT PERFORMANCE

Consideration was given to a report from the Chief Information and Commissioning Officer which provided the Committee with an update on the recent performance against the contract with Serco.

Judith Hetherington Smith, Chief Information and Commissioning Officer, introduced the report and advised that the December figures for the Customer Service Centre (CSC) had successfully achieved all of their KPIs since the report was published. Paul Briddock, Partnership Director for Serco, was also in attendance for this item.

During discussion, the following points were noted:-

- It was agreed that the agenda title of these update reports should be changed for future meetings to reflect which contract the report referred to;
- Councillor P M Dilks expressed serious concern at the tone of the minutes of the meeting of the Value for Money Scrutiny Committee and requested clarification of the process of preparation of the minutes. The Head of Democratic Services asked if this view was that of the wider Committee and it was confirmed that it was not;
- Councillor P M Dilks had requested, at the previous meeting, a list of outstanding issues from this contract, including how many emergency payments had been made, how many staff had not been paid and how many schools and businesses had been affected as a result. This information was requested again;
- It was reported at the last meeting that an overall plan would be put in place to monitor the situation and this would be presented to the Committee at its meeting in January. The Committee was disappointed that this had not been presented at this meeting and that a known date when the full implementation of the contract was still not available. It was advised that the programme and date should be available at the end of January;

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- There had been difficulties in evidencing the data which had taken longer than anticipated. It was important that a client function on behalf of the Council and it was advised that even if there was a 1% error margin, the data would be rejected in its entirety;
- The report referred to the data in November as the December data was not available in time for the report to be published. Paul Briddock, Partnership Director for Serco, gave a verbal update on the December figures – KPIs 4 and 5 had been verified by LCC staff and KPI09 was now green rather than amber;
- The Committee acknowledged that improvements had been made but that Serco would continue to be held to account until the contract requirements were met;
- The difficulties of the contract had been discussed in part with KPMG at the Audit Committee and the County Finance Officer was keeping them up to date on progress. The District Auditor had advised that there may be a risk that the accounts may be qualified this year as a result or that they may be late. It was expected, however, that the normal deadline for the accounts would be met;
- The process of preparing the year end accounts was explained and confirmed that some processes had been completed and tested and others being tested now. Until all processes had been completed, the totality of the issues at the year end would not be known until the end of April/beginning of May;
- Clarification was given that the accounts must be signed by 30 June 2016 and the external audit complete by 30 September 2016. It would not be known if the target of 30 June would be met until the end of April 2016;
- The accounts payable function of invoices across schools and the council was now largely stable. The KPI remained red as this was a stretching target set and reflected the end to end process. Some of the delay had been caused by the processing of Council or school staff but this was still measured as part of Serco performance;
- It was understood that there were issues in relation to posting payroll data to the accounts and as everything had not yet been put through the system it was difficult to gain a full picture of the accounts;
- The Committee were assured that there was ongoing dialogue with schools and bursars and confirmation given that school budgets were able to carry forward overspends and underspends. Children's Services had been in communication with all schools but it was agreed that further clarification could be provided should concerns remain;
- The Committee requested that the most up-to-date performance information be tabled at the meeting if unavailable to be published with the agenda documents;
- The statistics presented were felt to lack the scale of the issue or an explanation as to why an indicator was at the level reported. Comparison was given to the overall Council Business Plan performance report, which provided both figures and an explanation of particular indicators, and a suggestion made to include this level of detail in future reports. This suggestion was supported and officers would endeavour to provide that level of details at the next meeting;

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- It was requested that a list of acronyms be provided within the report going forward for the benefit of the public.

RESOLVED

1. That the report and comments be noted; and
2. That the most up-to-date information, which becomes available after publishing of Committee papers, be circulated to the Committee in advance of the meeting.

33 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 the work programme for the coming year.

Members were advised that an additional item would be presented to the Committee in February 2016 – One Public Estate.

The County Finance Officer also requested that the following two reports be added to the work programme for February 2016:-

- Treasury Management Update 2015/16 – Quarter 3
- Treasury Management Strategy Statement & Annual Investment Strategy 2016/17

The Chief Information and Commissioning Officer asked the Committee to note her apologies for the next meeting and advised that Sophie Reeve, Chief Commercial Officer, would present the Serco Contract Performance Update on her behalf.

RESOLVED

That the work programme, with the amendments noted above, be agreed.

The meeting closed at 12.15 pm