Lincolnshire COUNTY COUNCIL
Working for a better future

**VALUE FOR MONEY SCRUTINY COMMITTEE
22 FEBRUARY 2016**

PRESENT: COUNCILLOR MRS A M NEWTON (CHAIRMAN)

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

Councillor A Bridges attended the meeting as an observer

Officers in attendance:-

Paul Briddock (Partnership Director, Serco), Andrea Brown (Democratic Services Officer), David Forbes (County Finance Officer), Kevin Kendall (County Property Officer), Pete Moore (Executive Director of Finance and Public Protection), Sophie Reeve (Chief Commercial Officer), Karen Tonge and Nigel West (Head of Democratic Services and Statutory Scrutiny Officer)

34 APOLOGIES FOR ABSENCE/REPLACEMENT MEMBERS

Apologies for absence were received from Councillors A G Hagues and P M Dilks. There were no replacement members in attendance.

35 DECLARATIONS OF COUNCILLORS' INTERESTS

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

36 MINUTES OF THE MEETING OF THE VALUE FOR MONEY SCRUTINY COMMITTEE HELD ON 26 JANUARY 2016

RESOLVED

That the minutes of the Value for Money Scrutiny Committee meeting held on 26 January 2016 be agreed as a correct record and signed by the Chairman.

37 PERFORMANCE OF THE CORPORATE SUPPORT SERVICES CONTRACT

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.

Sophie Reeve, Chief Commercial Officer, introduced the report and advised that Serco had not been able to provide reliable performance information for all the KPIs and were not able to verify in all cases whether or not the required service levels had been achieved. Paul Briddock, Partnership Director for Serco, was also in attendance for this item.

During discussion, the following points were noted:-

- Concern was raised regarding the summary position for Information, Management Technology (IMT) which indicated that KPI09 and KPI11 Service Request Fulfilment (KPI09) and Project Milestones (KPI11) could not be measured until April 2016 when the Service Catalogue and Project Milestones both necessary for measurement should be in place, one year after the start of the contract;
- General concern about data collection was also noted as the report continued to indicate that data was unavailable. This concern was acknowledged;
- Some of the KPIs had a dependency on LCC for delivery or measurement, for example Mosaic, and for these KPIs interim arrangements have been agreed with Serco in the book of measures, the document which described how the KPI would be measured and using what data;
- In relation to KPI08 Council Service Team Satisfaction within the Customer Service Centre (CSC), it was noted that it had been agreed that because of a low volume of returns it was fair and reasonable to measure this particular indicator quarterly rather than monthly. Although the monthly figures were not reported, they had been measured;
- A suggestion was made by the Committee that more detail be included within the exception reporting in the main body of the report as this would prevent a number of questions being raised at Committee. It was also suggested that when "data not available" was used to describe the status of the KPI and when data was actually available but not accepted by LCC for a variety of reasons this should be clearer within the report. A request was made that where there was a level of performance but the data supporting it was not reliable the level of performance was identified as well as marking it 'Data not available' in Appendix A;
- Payroll queries had reduced from 2000 to 700 and the Committee acknowledged that this was a considerable reduction. It was further explained that the number of 'problem' calls was 234 with the remainder of the 700 queries apportioned to usual payroll queries. The Committee asked if this could be separated for future reporting to make it clear what progress was being made;
- The Recovery Board was presented with the details of progress made which included volumetrics of change. The Recovery Board was also focussed on the KPIs;
- KPI01 within Finance related to the number of undisputed invoices paid in accordance with vendor terms. The County Finance Officer reported that 90% of the payments were late due to outstanding actions required by LCC staff and not Serco. For example, departments signing off goods received to allow payment to be made. "Name and shame" lists were provided to the finance team by Serco who were then able to follow up why these invoices had not been passed for payment;

- Zero Day payment terms were also contributing to this indicator not being met. Foster carers were classed as vendors who required immediate payment and a one day delay in approving these payments would result in a failure to meet the target. It was suggested that it might be possible to remove these types of payments from the zero day payment term;
- It was also reported that there were 250 outstanding invoices which had significantly reduced from the 4000 outstanding previously reported in October 2015;
- The Committee asked why the January figures had not been presented and it was explained that the KPIs had not yet been verified and agreed in time for this meeting. This was due to a slight delay as a result of the IT outage, half term holidays and the rejection of some data;
- On submission of data for verification by LCC, where there was time in the payment cycle LCC had given Serco one further opportunity to correct data where figures had been rejected;
- Clarification was given that KPI06, First Contact Resolution rate Customer Service Centre, was not reporting the length of the telephone call but the number of calls dealt with by the call handler without referral back to a third party in either Serco or LCC;
- There was a suggestion that online customer satisfaction questionnaires somehow targeted those who had a good experience only. It was confirmed that this was not the case and questionnaires were randomly sent to those utilising the service;
- KPI06 Adult care Income Collection Adult Care Finance, it was explained that a debt started once an invoice had been processed, following which a payment reminder letter would be sent. Failing receipt of payment following that letter would trigger a further letter at 28 days which meant that the indicator would never be met as the final reminder letter was issued the day of the deadline;
- A request was made to have a comparison between the indicators set for Serco and the indicators measured prior to the implementation of the contract. This would enable the Committee to identify if Serco were being requested to meet targets which had not been achieved pre-contract;
- A set of financial statements had not been produced at the end of January as these were not required until early summer. A Budget Monitoring report had, however, been produced and would be presented to the Overview and Scrutiny Management Committee although there were a number of caveats surrounding its' contents;
- The Committee asked that any implications for the Council be noted within the exception reporting as this was thought to be important to give context to the issues;

RESOLVED

1. That the report and comments be noted; and
2. That the following improvements to the report be made for future updates:-
    a. For those KPI's designated as Data Not Available where actual performance figures were available but not accepted by LCC the

performance figures be included within the KPI indicator in addition to Data Not Available;

b. An explanation to the provided for those KPI's in the month in mitigation; and

c. Exception reporting to be expanded further to include the impact and significance to the Council.

38 PROPERTY SERVICES CONTRACT UPDATE

Consideration was given to a report from the Executive Director of Finance and Public Protection which provided the Committee with details on the performance of the Property Services Contract with VINCIMouchel.

Kevin Kendall, County Property Officer, introduced the report noting that the contract performance was on target and invited comments from the Committee.

During discussion, the following points were noted:-

- The Core Contract was for £5m per annum which then became the target cost. The Committee was advised that the Pain/Gain Assessment was based on the achievement of the contract cost and in the event that the target cost figures were met, the share would be 50/50. The costs were compiled by a Client Manager within VINCIMouchel and spot check systems were in place to ensure these figures were correct. LCC also had the ability to challenge any costs presented;
- In relation to education, it was explained that money received from the Department for Education (DfE) would be incorporated into the Council budgets. However, it was also noted that schools were responsible for their own budgets but all costs would be taken from the grant from the DfE;
- Confirmation was received that there was both a preventative system and reactive system in place in relation to pest control;
- LEAN Sigma 6 was explained to the Committee as a nationally recognised technique which enabled qualified members of the team to find ways to operate more efficiently;
- It was stressed that the list of assets listed in the balance sheet was not necessarily the sale valuation. Although a list of assets could be provided to Members of the Council, it was urged that this list be considered knowing that some of the assets listed were based on the balance sheet valuation. There may be a potential difference between the actual value and the balance sheet value. Additionally, the Committee were advised that the value would also be commercially sensitive and not for wider circulation;
- A further breakdown of these assets was requested, to include those rented out on perpetuity. This list could also be provided and the Committee were reminded that the Landlord and Tenant Act gave tenants the right to stay in the property as long as they wished;
- It was reported that the number of properties rented out was relatively small with most being libraries on a peppercorn rent;
- The programme of sales was currently being streamlined by setting clear targets to ensure that the process for selling was as efficient as possible;

- A comprehensive briefing note had been sent to some Members of the Council by the County Finance Officer which detailed asset values, General Fund Properties and County Farms Properties. The document also provided an explanation of how assets were valued on the balance sheet and why these figures would be different for sale. It was agreed that this would also be circulated to the Committee only but stressed that this was commercially sensitive and not for wider distribution;
- Prior to putting a property on the open market, processes were followed which included identification of other potential uses for those properties with the local Member. These options were then considered before a decision to sell was made;
- A suggestion was made to bring a report to a future meeting to provide details relating to County Farm Tenancies. These types of tenancies were different to Commercial Tenancies and it was thought clarification of the two would beneficial to the Committee;
- Compass Point Business Solutions, a shared services company owned by East Lindsey and South Holland District Councils, was referred to as being an efficient and innovative way of providing services to the residents. A suggestion was made to develop something similar in relation to the provision of housing and establishment of communities;

At this point of the proceedings the Chairman, Councillor A M Newton, advised the Committee that she was a Director of Compass Point Business Solutions in her capacity as a Councillor for South Holland District Council.

- Officers suggested that the Committee be presented with a series of reports to give an understanding of the assets held by the authority, the development opportunities which may be available for those assets and location mapping of the assets across the county. On receipt of that information, the Committee would decide if there would be benefit in setting up a Task & Finish Group;
- Although the value of land, with planning permission attached would be valuable to the authority, the Committee were advised that County Farm land, for example, had sitting tenants which could potentially take up to 30 years to release back to the county;

RESOLVED

1. That the report and comments be noted; and
2. That future reports be scheduled on the Committee's Work Programme to provide a fuller understanding of the Council's assets. The first report to be considered at the meeting of the Committee scheduled for 26 April 2016;

39 <u>ONE PUBLIC ESTATE - GREATER LINCOLNSHIRE PARTNERSHIP</u>

Consideration was given to a report of the Executive Director of Finance and Public Protection which provided information on the Government's One Public Estate (OPE) Programme, led by the Cabinet Office, in respect of funding to develop this concept locally. The aim of which was to better coordinate the use of public assets to enable better delivery of public services, Economic Regeneration and Housing and to assist with the delivery of revenue savings.

Kevin Kendall, County Property Officer, introduced the report and gave a presentation to the Committee which covered the following items:-

- Drivers (Housing and Economic Growth);
- New Tools (Surplus Land; Efficiency & Sustainability; Strengthened Right to Contest; Duty to Engage; Capital Receipt Flexibility; and Priority Purchaser status);
- New Opportunities (Government Hubs; Courts Reform/9 New Prisons; DWP PFI contract end 2018; HMRC – from 170 locations to 13 regional centres; MOD Footprint strategy – early disposals; and NHS Strategic Estates Plans led by CCGs);
- Government Property Finder (website which allows the public to map and list assets within the Government estate);
- Right to Contest (a mechanism to challenge the Government's use of sites and challenge them to release land which was potential surplus; since its launch in 2014, 20 applications had been submitted to release Government sites and a further 37 received to release local government sites; three cases had been successful to-date which six ongoing);
- One Public Estate (working with the GPU and LGA to provide practical support, expertise and central funding through Local Authorities; Phase 3 includes 108 councils, £6m working in 24 partnerships; SR 2015 £31m for the national programme);
- Objectives and Benefits (create economic growth; generate capital receipts; deliver more integrated services; and reduce running costs);
- One Public Estate – the Essentials (asset recording and mapping; shared vision for public sector assets; establish appropriate partnership and governance; establish vision and programme of work; dedicate resource to implementation; and report progress and benefits);
- One Public Estate – Offer (funding; professional support; specialist assistance; access to central government; access to local and central government OPE practitioners; ministerial Star Chamber; access to central and local government experts; sharing OPE good practice; Opportunities Workshops; continued development of Government policy; and technical support);
- Greater Lincolnshire (draft programme based on Housing, Improving Public Services and Public protection; establishment of OPE Board; and Alignment with Devolution and LEP programmes);

The Committee were advised that this initiative would give more opportunities for local dialogue but, for example, discussion regarding the Courts reform would be a national discussion. The Government were minded to set up nine national prisons and were considering the closure of local Victorian prisons which would impact on the courthouse within Lincoln Castle.

During discussion, the following points were noted:-

- There was a requirement under the programme to set up a One Public Estate Board which would bring representatives together from each partner organisation;

- A concern was noted that a number of Government Services had been withdrawn from the area and, although it was acknowledged that local community based services were imperative, so too were Government Services. It was thought that a wider strategy was required to link the two together and that a response to the Cabinet Office be sent. It was confirmed that there was ongoing dialogue with Central Government and that these concerns had been included within the Devolution Bid. However, it was agreed that the concerns of the Committee would be passed to the Chief Executive to feedback to Government during future discussions;
- Concern was noted regarding the lack of care housing available within the County. The Committee were advised that consideration was being given to the provision of extra care housing in Lincolnshire and an investment of approximately £8m would be sought for a project to provide approximately 600 facilities;

RESOLVED

That the report and comments be noted.

40 TREASURY MANAGEMENT UPDATE 2015/16 - QUARTER 3 REPORT TO 31 DECEMBER 2015

Consideration was given to a report of the Executive Director of Finance and Public Protection which detailed the Council's treasury management activity for 2015/16 up to 31 December 2015, compared to the Treasury Management Strategy for 2015/16 and any issues arising in treasury management during that period.

Karen Tonge, Treasury Manager, introduced the report which confirmed that the short term interest rates had remained flat over the period but that long term rates had been volatile, rising by 0.40% then dropped to a lower level before rising again. The weakness in growth and inflation had pushed forward an expected increase in rates. The Council's investment return was outperforming both the market and Capita benchmark comparators by 0.28% and the Weighted Average Maturity (WAM) of the investment portfolio had remained level at 103 days and remained above that of its comparators.

The report did note that external borrowing had not been taken to date but since the report was published £30m had been borrowed over the long term from the PWLB.

The Chairman welcomed Chris Scott, Director of Capita Asset Services, to the meeting.

During discussion, the following points were noted:-

- Rating agencies had done considerable work over the previous six months, following the introduction of a new approach which had resulted in greater reluctance for Governments to assist banks in difficulty. Banks were now given a number of years to continually improve their capital levels to ensure that they would survive another financial crash. The approach included banks being continually stress tested to ensure that this type of event could be withstood;

- In terms of future global economic growth, it was envisaged that the situation would improve but this would be a gradual process which could take years rather than months;
- Weight Average Maturity was 100 days and the maturity reduced each day. It was explained that the WAM was lengthy in comparison to others and that the length of investment was, in part, dictated by the policy agreed by Council. For example, one year for some counterparties but two years for others. This strategy was approved by the Committee in 2015;
- Should the forthcoming Referendum result in the UK leaving the EU, it was suggested that the likely impact would see continued volatility in the financial markets. Leaving the EU may result in an initial reluctance of investors to invest in the UK however it was thought that markets had a tendency to settle down after initial periods of turmoil. The referendum was a one-off situation and the impact of the outcome on financial markets was difficult to predict. Furthermore, the UK had not adopted the Euro which made the change slightly less significant as the adoption of a new currency was not required;
- It was anticipated that the base rate would remain the same at 0.5% and, although increasing interest rates were possible, events since the decision was taken by the Federal Reserve to increase US rates meant further short term increases were less likely;
- An insecurity of investors had resulted in temporary higher interest rates and it was urged that these unexpected opportunities be used as they arose;
- The Committee were advised that a business could go bust due to cash flow. The Council could not really 'go bust' partly because of its good cash flow.

RESOLVED

That the report and comments be noted.

41 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2016/17

Consideration was given to a report from the Executive Director of Finance and Public Protection which provided the annual Strategies and set out the expected treasury activities for the forthcoming year 2016/17, prepared in accordance with the 2011 CIPFA Code of Practice for Treasury Management in the Public Sector. The Annual Investment Strategy set out the Council's policies for investment of its surplus cash for the year ahead and had been prepared in accordance with the Local Government Act 2003, effective from 1 April 2004.

Karen Tonge, Treasury Manager, introduced the report and confirmed that the Treasury Management Strategy, which determined appropriate borrowing and investment decisions, and the Annual Investment Strategy, which outlined the Council's policy for investments, had been set for 2016/17 in light of the anticipated economic environment and movement of interest rates for the year ahead.

During discussion, the following points were noted:-

- It was clarified that the list of assets and asset lives noted at paragraph 2.7.7. of the report were the recommendations of the Property Team and it was stressed that the balance sheet value could not be considered as the actual worth of an asset. In addition, the asset lives were used for calculation of depreciation charges rather than being an actual estimate of the overall lifespan of the asset;
- The Energy from Waste plant was broken down under different categories of asset life for accountancy purposes. This is called component accounting and, for example, the land asset life differed to the facility itself. The land would be 50 years, building 70 years and the equipment different again. The 25 year contract stipulated that the facility must be handed back with a five year lifespan and to be operationally maintained;
- All maintenance and repair costs were factored into the current contract for the Energy from Waste facility due to its ongoing provision and this was taken into consideration within the earmarked reserves;
- Borrowing was undertaken predominantly via the PWLB;
- The Bank of England report indicated that GDP may rise to 2.5% although this may have been overly optimistic. It was stressed that this was the forecast of the Bank of England only and it was thought that the actual figure would be in the region of 2%;
- Should a counterparty list rating fall below the required level for investment but the Council had already made an investment, it would be prudent to leave the investment to run to maturity and not reinvest with the counterparty in question. Most agreements would incur a penalty if the investment was withdrawn prior to maturity;

RESOLVED

That the report and comments be noted.

42 <u>VALUE FOR MONEY SCRUTINY COMMITTEE WORK PROGRAMME</u>

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.

Further to agreement at minute number 38, it was agreed to add "Asset Register" to the work programme for consideration at the meeting scheduled for 26 April 2016.

RESOLVED

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

The meeting closed at 12.50 pm

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