Lincolnshire
COUNTY COUNCIL
Working for a better future

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

Report to:	**Value for Money Scrutiny Committee**
Date:	**21 June 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 March and April 2016. Performance for May 2016 is still being reviewed at the time of writing this report.

Actions Required:

The Committee is asked to note the contents of this report.

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 13 months of service delivery (April 2015 to April 2016) broken down by service area. May 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 January 2016 to April 2016. Red status indicates that Serco's performance against the KPI has failed to meet Minimum Service Levels (MSL) set out under the 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)	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	30	24	25	27
Minimum Service Level achieved	3	8	8	7
Below Minimum Service Level	9	9	9	7
Mitigation Agreed	1	2	1	2
TOTAL	43	43	43	43

A new table has been introduced in section 8 of this report which sets out all of the KPIs which have failed to meet the MSL in March and/or April. The table sets out the impact on the Council of the service delivery failure.

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	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	5	4	5	4
Minimum Service Level achieved	0	1	0	1
Below Minimum Service Level	4	4	4	4
Mitigation Agreed	1	1	1	1
TOTAL	10	10	10	10

The KPI performance for the PM service in March and April 2016 was fairly static when compared to January and February. The four KPIs that did not meet their MSL in March and April 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. For example, PM_KPI_02 has not been agreed as the only way in which payroll errors are currently identified is through employee self-reporting. The Council feels this method of identification is too narrow and relies solely on staff undertaking checks of their payslip rather than Serco establishing and then undertaking checking processes themselves to flag up issues.

However the method of measuring PM_KPI_03 (% of Payment Deductions paid within Third Party Payment Date per month) has now been agreed and the result for April 2016 was 96.88% against a target of 100%. The target is at 100% because this activity effects tax payments to HMRC, pensions fund contributions and a range of other sensitive payroll matters and was delivered consistently at 100% by the previous contractor.

PM_KPI_08 remains in mitigation due to the low level of survey returns being returned. To measure this KPI a minimum of 20 survey returns per month has been stipulated, anything below this minimum number is considered too small a sample to provide a robust/representative result.

Payroll

In March and April, Serco contacted every school to identify all outstanding payroll issues that school staff were still experiencing. Serco then cross-referenced the identified issues from this survey against the known issues that had been reported by school staff. It was found that there were a significant amount of additional payroll problems that had not been reported and/or logged on Lagan (the customer relationship) system used to manage payroll issues. This is reflected in the increased figures for school contacts (a contact being a single specific payroll issue recorded on Lagan for resolution) seen in table 3 below.

Table 3: Payroll contacts received by Serco

Payroll Contacts Received by Serco	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	April 2016*
Corporate (Resolved/Outstanding)	**744** (742/2)	**425** (423/2)	**468** (464/4)	**554** (543/11)	**548** (518/30)	**544** (470/74)
Schools (Resolved/Outstanding)	**500** (500/0)	**407** (404/3)	**387** (381/6)	**526** (490/36)	**836** (605/231)	**859** (409/450)
TOTAL (Resolved/Outstanding)	**1244** (1242/2)	**832** (827/5)	**855** (845/10)	**1080** (1033/47)	**1384** (1123/261)	**1403** (879/524)

*Payroll statistics for April 2016 are still being collated so these may change

Serco are working through resolving all the identified issues and it is hoped that the result of this exercise is that it will put schools back on a business as usual footing with regards payroll.

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	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	8	5	3	6
Minimum Service Level achieved	2	5	6	4
Below Minimum Service Level	2	2	3	2
Mitigation Agreed	0	0	0	0
TOTAL	12	12	12	12

The March KPI performance results for IMT were disappointing with 2 KPIs moving from green to amber when compared to February due to:

- IMT_KPI_06 – Five 'Priority 2 Incidents' were reported meaning it missed the TSL of three or less incidents

- IMT_KPI_07 – A minor reduction in availability of platinum applications from 99.94% in February to 99.70% in March but this meant it missed the TSL of 99.80%

and one KPI moving from amber to red:

- IMT_KPI_05 – Eight 'Priority 1 Incidents' were reported meaning it missed the MSL of five incidents.

However in April, performance recovered with IMT_KPI_05 moving back to amber from red status and IMT_KPI_01 & 07 moving from amber to green status. All other KPIs remained within the same RAG status compared to March.

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	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	9	7	8	7
Minimum Service Level achieved	0	1	1	1
Below Minimum Service Level	0	0	0	0
Mitigation Agreed	0	1	0	1
TOTAL	9	9	9	9

KPI Results for the CSC service in March and April remains high, meeting the TSL for the majority of KPIs.

Customer Experience as measured by CSC_KPI_07 remains high, with results of 97.03% and 96.50% in March and April respectively well above the rates inherited from the Council (an average of 89% in 2014/15) in spite of additional calls.

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	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	7	7	8	8
Minimum Service Level achieved	1	0	0	1
Below Minimum Service Level	1	2	1	0

Mitigation Agreed	0	0	0	0
TOTAL	9	9	9	9

In April, Serco's performance against the nine ACF KPIs is the best since the start of the contract. Performance measured against eight of the nine KPIs meets or exceeds the TSL. The only KPI that failed to achieve the TSL was ACF_KPI_05 which recorded a performance of 94.50% (amber status) missing the TSL by 0.5%.

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	January 2016 (no of KPIs)	February 2016 (no of KPIs)	March 2016 (no of KPIs)	April 2016 (no of KPIs)
Target Service Level achieved	1	1	1	2
Minimum Service Level achieved	0	1	1	0
Below Minimum Service Level	2	1	1	1
Mitigation Agreed	0	0	0	0
TOTAL	3	3	3	3

In April, Serco achieved its best results since the contract commenced meeting two of the three TSLs for the Finance service KPIs. The remaining KPI remains in red status and although showing improvement is still some way off meeting its 95% TSL.

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 either March and/or April 2016.

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

Failed KPI (March and/or April 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.	This is currently being reviewed as part of 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. This has especially been the case in relation to pay-overs to HMRC and various Pensions providers. The only remaining issue is to implement the regular running of the regular HMRC pay over. The Service Provider is focussed on gaining a resolution to this and are working very closely with the Agresso suppliers to reach a resolution	Awaiting resolution from Agresso suppliers, estimated date TBC
PM_KPI_04	% Avoidable People Management Contact Rate per month	The method/process to capture evidence for Avoidable Contact has not been agreed between 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	This is currently being reviewed as part of the KPI review

| 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. | This is currently being reviewed as part of 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. | This was a singular failure in March 2016 contributed in part by the unnecessary deployment of McAfee Anti-Virus software on to SunGard estate. All other months where performance has been measured for this KPI has resulted in a green or amber status. |
| IMT_KPI_09 | % Achievement of Service Request Fulfilment within Service Request Fulfilment Time | Within the Contract a number of change requests, that are paid for within the Contract price, should be listed and the fulfilment targets known. Without these being documented the Council may not be receiving the full set of these services, and service areas may have elongated periods to wait before IT requests are fulfilled. These small changes can have a dramatic impact on day to day operations and key activities such as access to systems, office movements and day to day support cannot be depended upon. | It is estimated that this KPI will be reported on for the month of August |

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.	Once dates have been agreed with the Council Serco will have the ability to start reporting against this KPI, Serco currently estimate this to be from July
ACF_KPI_06	% of Adult Care Income due which is more than 28 days old	This KPI motivates Serco to collect all income due to the Council from Adult Care service users. The KPI performance measure uses the level of outstanding debt which is overdue (over 28 days old) and compares it with the total income due to the Council. The TSL for this KPI is 5%. Failure of this KPI could ultimately result in loss of income to the Council if proper debt recovery processes are not employed.	Serco are now providing better data in support of this KPI. The data/results will be monitored going forward but there is an expectation that performance can now be evidenced which shows strong debt collection performance against this KPI meets the TSL
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.	This is currently being reviewed as part of the KPI review

9. Recognised good performance

To provide balance to the report, it is important to recognise that Serco's performance meets the TSL across a range of KPIs. For March 2016, 25 KPIs (58%) had a green status and in April 2016, 27 KPIs (62%) had a green status.

In Adult Care Finance, the percentage of aged debt (over 28 days old) was standing at 1.63% of circa £40m income due over the last 12 months. This exceeds the TSL set at 5%, equating to approximately £1.3m of additional income

collection. Across the rest of the ACF KPI suite in April 2016, eight of the nine KPIs were green status with only one amber status KPI having missed the TSL by 0.5% (ACF_KPI_05 - 94.5% vs 95%TSL).

In IMT, the percentage of users who scored the IT service as 'Good' or above for IT incident handling has achieved its TSL every month since June 2015 with a result in April 2016 of 91.40% against a TSL of 70%.

In the CSC, there is a high level of performance across the entire suite of KPIs since contract commencement in April 2015. There have been no performance failures in the CSC service since November 2015.

In the first year of the Serco contract, a total of 243,345 invoices were paid to suppliers/individuals. Of those invoices an average 87.7% of them were paid within 30 days of receipt across the year. The worst monthly performance in contract year 1 was 81.7%. However, improvements made by Serco to the Accounts Payable systems and processes have resulted in performance improvements in the last three months of the year as detailed below:

- Jan 2016 – 90.1%

- Feb 2016 – 94.9%

- Mar 2016 – 94.5%

This recent level of performance achieved by Serco is now on par with the previous contractor who generally achieved a performance level around 92% to 93%.

10. KPI Review

LCC and Serco have agreed to review the current KPI measures so that the KPIs remain relevant and challenging and evolve with the contract. The review also provides the opportunity for greater clarity around how measurement is carried out where there is some uncertainty. Negotiations have commenced. It is difficult at this stage to provide members with certainty about the results of the negotiations but it is hoped that agreement can be reached and implemented in the next couple of months.

11. Conclusion

Overall the CSS Contract KPI performance levels remain below expectations but the number of failed (red status) KPIs was at its lowest level (7 no.) in April 2016 since contract commencement.

Of the seven KPIs that are not currently hitting MSL, five are within the KPI review to gain agreement on measurement by both parties. The remaining two are in IMT and we now have an agreed way forward for both of these:

- IMT_KPI_09 now has agreed resolution and is expected to be capable of being reported on from August 2016.

- IMT_KPI_11 many of these dates are in the process of being developed and agreed with the Council which Serco expect should allow reporting from July 2016.

12. Consultation

a) Policy Proofing Actions Required

This report does not require policy proofing.

13. Appendices

These are listed below and attached at the back of the report	
Appendix A	Year to Date Performance Dashboard

14. 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.hetheringtonsmith@lincolnshire.gov.uk.

This page is intentionally left blank