

**MINUTES of the meeting of Strategic Monitoring Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday, 13 June 2008 at 9.30 a.m.**

**Present:** Councillor PJ Edwards (Chairman)  
Councillor WLS Bowen (Vice Chairman)

Councillors: PA Andrews, KG Grumbley, TM James, RI Matthews,  
AT Oliver, SJ Robertson and JK Swinburne

**In attendance:** Councillors JP French, MD Lloyd-Hayes and RH Smith

**1. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors WU Atfield and PM Morgan and also from Councillor H Bramer (Cabinet Member (Resources)) and Councillor RJ Phillips (Leader of the Council).

**2. DECLARATIONS OF INTEREST**

The following declarations of interest were made:

Item	Title	Councillor	Interest	Reason
7	Procurement Strategy 2008	PJ Edwards	Personal	Recipient of a Post Office pension
8	Backward Looking Efficiency Statement 2007/08	KG Grumbley	Personal	Council Appointee to the Citizen Advice Bureau Board
11	Office Accommodation Strategy	PJ Edwards MD Lloyd-Hayes	Personal	Both Members of Hereford City Council

**3. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 28 April 2008 be approved as a correct record and signed by the Chairman.

**4. SUGGESTIONS FROM MEMBERS OF THE PUBLIC ON ISSUES FOR FUTURE SCRUTINY**

There were no suggestions from members of the public.

**5. REVIEW OF THE SERVICE DELIVERY PARTNERSHIP WITH AMEY WYE VALLEY LIMITED**

The Committee's views were invited on the draft recommendations from the Service Delivery Review of the Council's Service Delivery Partnership with Amey Wye Valley

Ltd.

A draft report on Phase 2 of the review had been circulated separately to the Committee.

The Director of Environment and Culture introduced the report. He said that a great deal of work had gone into the review, reflecting the importance attached to addressing the Partnership's shortcomings in delivering services that were highly visible to the public. The future emphasis needed to be on addressing issues as they arose, quickly and efficiently.

The Acting Head of Highways and Transportation presented the detail of the report. The two stated objectives of the review were to review alternative forms of delivery with a view to securing annual savings to the Council of £1 million and to improve the current level and quality of service. He explained how the review had been conducted and how 18 possible delivery options had been reduced to 3: the improved business as usual model; the managing agent model, which would give greater responsibility for planning to Amey; and the integrated services model, with services delivered by an integrated organisation staffed by employees of both Amey and Herefordshire Council and managed by a single manager reporting to both organisations.

The aim was to develop a model tailored to meeting the needs of Herefordshire. It had been concluded that the improved business as usual model would not achieve the degree of improvement or level of savings required. The other two models offered a potential basis for negotiation.

He emphasised the extent to which the financial savings were estimates and dependent on successful implementation of the model and could not be guaranteed.

He also drew attention to the appendices to the report setting out the scope of the contract, a description of the 3 shortlisted service models, a summary of the methods used in estimating potential staff savings and the Amey capability statement.

In the course of discussion the following principal points were made:

- In response to a question, the principle of the "watchman" scheme it was proposed to include in the Herefordshire service model was explained. The scheme was in place in Bedfordshire and had improved links with local communities, providing a single local contact with a delegated budget and a remit to target resources.
- A number of examples were given of where service was not currently being delivered to the required standard by Amey.
- There was discussion of how savings could be achieved without an adverse effect on service delivery. The Director said that the savings were to be achieved without reducing service. There was considerable duplication of effort at the moment with an unnecessary degree of checking. Where there was a clear outcome to be achieved, as in the emergency response to the 2007 summer flooding, the partnership worked well. That was the approach that needed to be fostered.
- It was noted that Bedfordshire, where the managing agent model, involving Amey, was used, had invested £4 million to generate improvement in its services. This approach seemed to contrast with the reduction in costs

envisaged by the Council in Herefordshire in circumstances where services were not being provided to an appropriate standard with the existing level of resources. The Director replied that the relevant Council Services had a higher Comprehensive Performance Assessment rating than Bedfordshire's had had at the time. He reiterated that the aim of the review was to deliver better value for money, both reducing cost and increasing quality. It was highlighted that if the potential savings could be realised this would provide the Council with an opportunity to consider reinvesting in additional service provision.

- It was stated that Members had evidence of schemes carried out by Amey costing far in excess of what they would cost in the market place. In this context the apparent intention to achieve savings by reducing the level of challenge of contract costs was questioned.
- The Director said that challenge by the client side was critical to the delivery of any future service model. A key part of the negotiations would centre on market rates. He considered that comparative information on schemes could be obtained to ensure that there could be appropriate challenge of costs.
- A Member observed that the fundamental problem with the Partnership's operation appeared to be the interface between the Council and Amey. This suggested that the managing agent model might offer the best way forward.
- It was noted that the report referred to the need to correct examples of poor relationships between Council staff and Amey staff. This had been commented on in the Committee's scrutiny review of the Partnership completed in 2006. It was disappointing to see that this issue remained unresolved. The Director said that the review acknowledged the need to effect change in working relationships to deliver service improvement in the next five years of the contract's life.

It was suggested that it was important that action was taken now to seek to improve relationships and not just await the outcome of the review. In reply it was said that the review had provided an opportunity to explain the type of behaviours that were expected and a number of quick wins had been identified and acted upon. Anomalies in the current contract would be removed and robust action taken to counter inappropriate behaviour.

- Members highlighted that the need for senior management commitment to partnership working should not be singled out as a requirement because it was clear that commitment by all was required.
- Reference was made to the comment in the Audit Commission's report on value for money in strategic partnerships that, "very few strategic partnerships have achieved financial benefits."
- Concern was expressed at the late delivery of invoices in relation to the street lighting service and the impact on the Council's final accounts.
- That the views of Councillors should have been sought as part of the process. Attention was drawn to the examples of poor service by Amey that Members found in their wards. The Director said that he would welcome Member input into the review. Members proposed that the views of all Members should be invited.
- It was suggested that the Committee should have been provided with more detail on how the estimated savings were to be achieved. The Director said that a

large part of any savings would be a result of a reductions in staff costs because this currently accounted for a large proportion of expenditure. It was premature at this stage to speculate on the detail. This would emerge during the negotiations.

- That whilst the phase 2 review report was good it did not address sufficiently the commercial environment and the fact that in entering negotiations Amey would not accept a reduction in their profit.
- A further question was asked about Bedfordshire's contract with Amey. The Director said that the contract was not seen as a blueprint but suggested some possible approaches. He acknowledged Amey's motive was to make profit. The key was to ensure that profit was dependent on delivery. The Bedfordshire contract focused on outcomes. There was provision in their agreement for a series of one year extensions to be added the original 10 year contract as an incentive for Amey to deliver on target. Any such extension awarded by Bedfordshire was dependent on satisfactory yearly performance outturns. The Director indicated that such a framework could encourage capital investment by Amey as they would then be able to plan for recouping their outlay in the medium and long term.
- An interpolation of the information on the projected savings suggested a 50% chance of £800k being achieved and a 10% chance of £1million.
- The Cabinet Member (Corporate and Customer Services and Human Resources) commented that the eventual solution needed to be robust to meet the challenges that lay ahead. She emphasised the need to insist on staff complying with the Council's requirements in seeking to develop partnership working.

The Chief Executive summed up the position, emphasising the need for an effective partnership relationship in which there could be confidence in service delivery. This would involve the Council as client undertaking some benchmarking against market rates. However, excessive supervision would not work. The contractor should be judged on outcome and price.

The Committee considered its further involvement in consideration of this issue, agreeing that it would wish to have a further opportunity to comment prior to a decision being made by Cabinet.

**RESOLVED:**

- That (a) the depth and breadth of the preliminary stage of the review and the involvement of the Committee be welcomed;**
- (b) reassurance be provided that any watchman scheme will include Local Member views as a matter of course;**
  - (c) it be recognised that relationships between the two organisations and unity of culture are key and that where bad practice is identified this should be remedied on an ongoing basis;**
  - (d) all Members be invited to comment on the review; and**
  - (e) that the Committee should be provided with a further opportunity to comment on the review prior to recommendations being considered by Cabinet.**

**6. SCRUTINY DEVELOPMENT PLAN 2008/09**

The Committee considered a Scrutiny Development Plan for 2008/09.

The Head of Policy and Performance presented the report explaining the basis on which the proposed Plan had been developed.

In the ensuing discussion the following principal points were made:

- The Committee noted that the Chairman was discussing the possibility of an external evaluation of the Scrutiny function by the Leadership Centre.
- That it was important that the principal focus on scrutinising key issues where the function could have a positive impact. Processes and structures should be developed to support that objective and not become an end in themselves.
- That the role of scrutiny needed to be clearly communicated to the public.
- That the programme of enquiry visits to other authorities should be progressed promptly.
- It was requested that the proposals for work shadowing needed to be carefully considered and appropriate briefings given to staff beforehand.
- In response to a question the Legal Practice Manager confirmed that there was no discrete budget for Scrutiny and explained that the approach had distinct advantages to the function, compared to authorities who operated a capped budget.

**RESOLVED: That the Scrutiny Development Plan 2008/09 as appended to the report be adopted.**

**7. PROCUREMENT STRATEGY 2008**

*(Councillor PJ Edwards declared a personal interest)*

The Committee considered the updated Procurement Strategy.

The Strategic Procurement and Efficiency Manager presented the report. He noted the contribution the Strategy could make to meeting the Government's efficiency targets and how efficiency savings formed part of the Audit Commission's Use of Resources Assessment and consequently the overall rating of the Council's performance.

In the ensuing discussion the following principal points were made:

- That the Council's policy commitment to supporting Fairtrade needed to be explicitly reflected in the Strategy.
- It was noted that the Strategy welcomed the use of local suppliers but the hope

expressed that this use could be further encouraged.

- It was confirmed that the Council was aware of the approach of some other authorities in inviting tenders via the internet. Consideration was being given to how the Council might benefit from a similar approach.
- It was asked whether there was sufficient staff resource within the procurement function, noting the employment of two consultants in connection with the letting of the contract for some second class post to TNT. The issue of whether social sustainability was considered as part of the procurement process was also raised. The Director replied that a project was underway with the West Midlands Centre of Excellence to review the organisation of the procurement function. It was, however, important to note that the function had had some important successes.
- The question of whether West Mercia Supplies purchased green electricity was discussed. The Strategic Procurement and Efficiency Manager agreed to write to Members clarifying the position.

**RESOLVED: That the updated Procurement Strategy should be amended to reflect the Council's policy commitment to supporting Fairtrade.**

#### 8. BACKWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08

*(Councillor KG Grumbley declared a personal interest.)*

The Committee considered the Council's proposed Backward Looking Annual Efficiency Statement for 2007/08.

The Head of Financial Services presented the report. He noted the attention paid to efficiency savings in external assessments of the Council's performance and that the Council had exceeded its target for 2007/08. He drew attention to the forthcoming change to arrangements in 2008/09 whereby all savings submitted as part of the Annual Efficiency Statement had to be "cashable", currently a mix of "cashable" and "non-cashable" savings being eligible for inclusion.

In the ensuing discussion the following principal points were made:

- It was observed that the target for savings from partnership working with Amey had not been achieved and neither had the target for a saving as a result of a reduction in supervision between the client and Amey.
- It was suggested that the extent to which staffing vacancies were attributable to turnover or to planned management action should be made clearer in future statements.
- The saving attributable to the decision not to uplift certain contracts in line with inflation was discussed.
- The Head of Financial Services agreed to provide clarification to the Committee on the saving target relating to improving the affordable housing gap.
- The contractual relationship with HALO Ltd, provider of leisure services, and whether there might be potential financial benefits from adopting a similar approach for delivering other Council services was discussed. It was noted that this was being considered.

**RESOLVED: That the proposed Backward Looking Annual Efficiency Statement for 2007/08 be noted.**

**9. FINAL REVENUE AND CAPITAL OUTTURN 2007/08**

The Committee considered the final revenue and capital budget outturn for 2007/08.

The report to Cabinet on 29 May 2008 was appended to the report.

The Head of Financial Services presented the report highlighting where there had been developments since the provisional outturn had been reported to the Committee in April.

The net Directorate overspend had been £900,000. The final revenue outturn for the Council as a whole had been a net underspend of £591,000 taking account of items such as income from financing transactions, unbudgeted income from the Local Authority Business Growth Incentive Scheme and additional dividend income from West Mercia Supplies as a result of increased use for procurement.

He drew attention to the creation of a number of new specific reserves and the Joint Management Team's recommendation, accepted by Cabinet that the net underspend should be used to fund a reserve for rationalising office accommodation.

In the course of discussion the following principal points were made:

- The financial implications of the national extension of free bus travel to over 60s including reduced income from car parking were noted.
- The financial implications of schools achieving foundation status were also discussed.
- The provision of a reserve associated with the Whitecross High School Private Finance Initiative and the potential ongoing implications were noted.
- In response to a question the Head of Financial Services agreed to clarify the position regarding the winter maintenance reserve.

**RESOLVED: That the final outturn for 2007/08, the use of the carry forward of unspent budget into 2008/09 and the creation of new reserves be noted.**

**10. WORK PROGRAMME**

The Committee considered its work programme.

The Chairman said that it would be helpful for Members to be supplied with an overview of the Council's new management structure and key officer contacts.

**RESOLVED: That the current work programme serve as a basis for further development.**

**11. OFFICE ACCOMMODATION STRATEGY**

**RESOLVED** That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of this item on the grounds that there would be disclosure of information relating to the financial or business affairs of any particular person (including the authority holding that information).

**Summary of Proceedings during which the Public were excluded**

*(Councillors PJ Edwards and MD Lloyd-Hayes declared personal interests.)*

The Committee endorsed the findings of the Working Group it had appointed in April 2008 on the proposed process and timetable for developing an integrated office accommodation strategy for the PCT and Council.

The meeting ended at 12.40 p.m.  
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**CHAIRMAN**