

MINUTES of the meeting of Overview and Scrutiny Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Monday 18 October 2010 at 9.30 am

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

Councillors: PA Andrews, ME Cooper, AE Gray, KG Grumbley, TM James, PM Morgan, AT Oliver and PJ Watts

In attendance: Councillors RJ Phillips (Leader of the Council) and PD Price (Cabinet Member – ICT, Education and Achievement)

26. APOLOGIES FOR ABSENCE

Apologies were received from Councillor RI Matthews and from Councillor JP French (Cabinet Member – Corporate and Customer Services and Human Resources).

27. DECLARATIONS OF INTEREST

Councillor PJ Edwards declared a personal interest in agenda item 6: Shared Services, because of a job held by a relative.

28. MINUTES

RESOLVED: that the Minutes of the meeting held on 27 September 2010 be confirmed as a correct record and signed by the Chairman.

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

It was reported that the Chairman of Breinton Parish Council had requested that the Local Development Framework (LDF) process be scrutinised. It was noted that account would be taken of this request in determining the Committee's scheduled consideration of the LDF in December 2010.

30. LEADER'S REPORT

The Committee received a report from the Leader of the Council identifying key issues from the last six months.

The Leader expanded on the main themes of the report published with the agenda papers, highlighting the following aspects:

- The implications of the reforms proposed by the new Government which represented enormous change.
- The consequences for local government of the measures to reduce public service expenditure. He outlined particular concerns about the removal of specific grants, for example for rural bus services. He informed the Committee that representations had been made to retain ring fenced support for rural transport, or provide authorities with the

option to charge senior citizens a modest sum for its use, on the basis that this would be preferable to losing the service altogether. He had also made representations requesting the retention of Dedicated Schools Grant and that funding for the ten poorest funded authorities (which included Herefordshire) should be protected.

- He advised that the Executive had been making preparations in response to the expected reductions in expenditure, for example the development of the shared services programme. He emphasised the intention to deliver services more efficiently and cut bureaucracy rather than services.
- The scope for Parish Councils to initiate local schemes and finance them through the parish precept.
- The development of partnership working with the Voluntary Sector.
- The hope that the development of a Local Enterprise Partnership with Shropshire and Telford to promote local economic development would receive Government approval soon.
- The challenge of the high costs of social care and the importance of integrated commissioning.
- The development of Broadband and the importance of improving the level of earnings in the County which lagged behind the average in the Country as a whole.
- The investment of over £4m made in Hereford City Centre during his period of office.
- The challenges presented to the County by an ageing population and the requirement to deliver services over a large sparsely populated rural area.

In discussion the following principal points were made:

- The constraints on future capital expenditure were discussed, noting the pressures to develop the County's infrastructure. The Leader commented that the Council would continue to have the power to borrow money. He highlighted the distinction between supported (Government backed) borrowing and prudential borrowing noting that of the Council's current borrowing £90m out of £125m was supported borrowing. The Executive recognised the need to monitor the level of borrowing and in particular unsupported borrowing. However, it was clear that housing developers, for example, would have to make a much larger contribution to the Council in future to support the provision of the associated infrastructure their developments needed.
- The pressures on social care budgets and the high costs of individual care packages were acknowledged and the importance of planning for transition from children's social care to adult social care.
- It was asked whether turnover of senior officers had affected the capacity to progress organisational change. The Leader considered that there had not been capacity issues and the establishment of joint health and social care posts was a sensible measure.

The Leader concluded by saying that he considered the administration had set out how it proposed to meet the challenges ahead, with a focus on cutting bureaucracy rather than frontline services. He challenged Members, if they disagreed with this approach, to put forward clear alternative proposals.

The Chairman thanked the Leader for his presentation.

31. SHARED SERVICES

(Councillor PJ Edwards declared a personal interest.)

Further to its consideration of the Shared Services Programme in September the Committee was invited to submit comments to Cabinet on the developed proposals.

The report to Cabinet for consideration on 21 October had been circulated separately.

The Interim Transformation Director (Shared Services) (ITDSS) and the Corporate Programmes and Shared Services Lead Officer (CPSSLO) gave a presentation. This summarised work being undertaken on the development of the shared services programme, the original business case, the review of the business case, the resultant assessment of costs and benefits, the outcome of a review of delivery models, the reaffirmation of the desired outcomes by the Business Transformation Board (modern streamlined support services, reduced cost of support services, a platform for Integrated Herefordshire Public Services and the best for Herefordshire's economy), updated evaluation criteria to evaluate models of service delivery, the outcome of that evaluation, and the conclusion that while some of the services within the Shared Services Programme would be best delivered through a Joint Venture Company (JVC) a multi-sourcing approach may be more appropriate to others, describing the options available. The presentation also outlined measures to keep the costs of the Joint Venture Company down (financial control, benchmarking, transparent charging, fostering innovation, streamlined processes, standardisation and embedding a cost conscious culture), and the next steps for delivering the programme including the timeline

The CPSSLO highlighted that the revised business case, which had been reviewed by Capita PLC, and now included the costs and benefits of the Agresso project (a software package for managing HR, payroll, finance and procurement), would deliver £4.3 m in recurring savings from 2016/17 and £33m over 10 years of the programme. The Council's share of future savings was expected to be in excess of 70% (£3.01m per year). Savings of 1.02m (of the projected £4.3m) had already been secured as a result of implementing some of the recommendations in the 2009 Shared Services business case.

The ITDSS concluded by saying that the proposals were affordable, not overly complex and contained a number of measures to ensure that there was good financial control. The timetable for implementing the programme was tight but considered achievable.

In discussion the following principal points were made:

- It was stated that a number of other programmes introduced by the Council had not delivered the level of savings predicted at their inception. Members questioned whether the projected savings of the shared services programme would be secured.

Members also questioned whether the approach had become over complex, moving from the basic starting position of joining up services with Health, and what effect the proposed abolition of Primary Care Trusts would have on the arrangements. It was asked what control the Council would retain over the various services.

The Leader of the Council commented that the principle underlying the shared services programme remained, irrespective of what happened to Primary Care Trusts. The key point was the drive towards the integrated commissioning of services which the shared services programme would continue to support.

He added that the County's size in terms of population meant that some services were very small, necessitating consideration of alternative forms of delivery, rather than direct provision by the Council. It remained an aim to retain employment within the County as far as possible.

The ITDSS commented that there would be a strong performance management system in place that would control costs through service level agreements. This strong commitment to cost control would be assisted by the Agresso system.

The Council and partners had experience of managing complex arrangements. The current powers and responsibilities of the Council and health partners in themselves created complexity.

Whilst there would be some complexity inherent in the new arrangements the aim would be that all the services under the shared services programme would be managed under a common, standard framework that provided clarity.

- It was confirmed that the expenditure on the next stages of the shared services programme on consultants, the management of the shared services programme, legal and Human Resources advice and redundancy costs were taken into account in the summary of the financial position as reported.
- Implementing the full shared services programme (including combining the finance, ICT and payroll services of the three partners) was expected to result in a reduction of staff (full time equivalents) from 550 to 410.
- There was specific discussion of the payroll function noting that many private sector firms outsourced this particular function. The ITDSS commented that the implementation of the Agresso system meant that a separate procurement of a payroll service would not generate savings to justify the cost of that exercise.
- It was requested that in any communication the Council should avoid any confusion between the Shared Services Programme for back Office functions and the programme to integrate health and social care provider services within an Integrated Care Organisation. The ITDSS acknowledged this point commenting that as the shared services programme was principally about back office functions there would be limited external communication.
- The importance of ensuring that services were of the appropriate quality was emphasised. Assurance was provided that this was recognised.
- That the shared services programme would lead to a noticeable change in the way services were delivered, providing a self-service automated approach. This would require cultural change. Members observed that the importance of managing this change should not be underestimated in the light of the experience of the implementation of the Framework social care programme.
- The proposal was that a JVC to deliver Human Resources, Payroll and Expenses, Finance, Procurement, ICT, Revenues and Benefits would be established by April 2011. The further evaluation now proposed for the delivery of asset management and property services and for transport services would include determination of the timetable for implementing arrangements for these services.
- It was noted that once within the JVC the scope to undertake procurement as part of larger consortia would be retained.

- It was asked how the benefits from the shared services programme would accrue to the partners. In reply it was reiterated that the Council's share of future savings was expected to be in excess of 70%. The JVC would be liable to corporation tax on any profits. However, the expectation was that because costs to partners forming the JVC should be controlled, retained profits should therefore be minimal, although the company would need to demonstrate that it was a going concern. The VAT implications were being assessed to ensure efficient arrangements were made.

RESOLVED: That Cabinet be advised of the issues raised by the Committee and the responses received.

32. INFORMATION COMMUNICATION AND TECHNOLOGY SERVICES UPDATE

The Committee considered a further progress report on Information Communication and Technology (ICT) service issues requested following the scrutiny review of ICT and subsequent updates, the most recent having been in March 2010.

The Joint Director of ICT presented the report.

In discussion the following principal points were made:

- Members expressed further concern about the time being taken to improve the planning applications process and introduce a scanning and document management solution which would enable significant improvements to be made to the Planning Service. The Joint Director commented that there were complex processes involved but the ICT service was committed to implementing the solutions. He expected the scanning and document management solution to be in place in the New Year.
- In response to questions the Joint Director acknowledged work was ongoing to improve use of the Framework social care system. He also confirmed opportunities to reduce data storage costs, for example by using internet storage, were kept under review, but observed that the Council had to ensure that the data it held, much of it sensitive, was stored safely. Whilst the Council's website compared well in benchmarking against other local authority websites he recognised that users felt there was room for improvement. He encouraged Members to let the Service know if there were improvements they would like to see.
- It was noted flexible working initiatives were being introduced. The number of work stations per full time employee (fte) in the new headquarters building was being reviewed, with 6 stations per 10 ftes being considered, compared with the 8:10 ratio initially proposed by consultants.
- A briefing note was requested on the pilot project looking at equipping frontline staff with mobile equipment to make the data collection process more efficient.
- It was asked if savings could be generated by amending the current replacement policy for equipment. The Joint Director replied that within the industry hardware was replaced every 3-5 years. The Council's policy was to replace hardware every 4 years, although a 15% increase in the price of computers had put pressure on the current budget. Equipment was only replaced if it needed to be replaced. Monitors, for example had a longer lifespan.
- The cost of computers not being switched off by staff was raised and it was asked whether they could be switched off centrally by ICT services. The Joint Director reported that software was being trialled to assess this issue. The analysis to date showed there was some variation in behaviour between Directorates and a saving of £3,000 in electricity costs could have been achieved over six months. However, this

saving broadly matched the cost of the software. Members considered staff should be firmly reminded of the need to switch off computers on grounds of both cost and environmental considerations.

- Members welcomed the activity to improve the County's broadband activity, described in the report and urged that this objective be pursued vigorously. It was requested that a copy of the broadband policy paper to be provided to JMT in November be circulated to Members.
- The Joint Director confirmed that agreements were in place permitting data to be shared between the Council and NHS Herefordshire.

RESOLVED:

- That**
- (a) the report be noted;**
 - (b) a briefing note be provided on the pilot project looking at equipping frontline staff with mobile equipment to make the data collection process more efficient;**
 - (c) it be requested that a copy of the broadband policy paper to be provided to JMT in November be circulated to Members;**
 - (d) staff be firmly reminded of the need to switch off computers on grounds of both cost and environmental considerations; and**
 - (e) that a further progress report be made in six months time.**

33. PROJECT DESIGN AND DEVELOPMENT/FINANCIAL CONTROL OF CAPITAL SCHEMES

The Committee considered a report on the project management and financial controls in place for capital schemes managed by Asset Management and Property Services (AMPS).

In discussion the following principal points were made:

- Members expressed concern that there had been significant overspends on some capital schemes. This undermined the efforts being made across the organisation to control costs. It was asked whether the Council's approach was satisfactory and if lessons were being learned from mistakes that had occurred.

The Property Operations Manager explained some of the circumstances that could lead to overspends and outlined some additional controls that had been put in place. He estimated that over the last twelve months 75-80% of schemes had been on time and on budget. This compared favourably benchmarked against authorities in the West Midlands.

In reply to questions the Director of Resources commented that there had been occasions where AMPS had not had sufficient clarity from the Directorate sponsoring a scheme as to their requirements. Many of the large schemes were sponsored by the Children and Young People's Directorate and work was being carried out with the interim Director to implement a more consistent framework. The AMPS was learning lessons both from schemes that had not gone as planned, such as the Riverside School development, and those that had gone particularly well.

- A Member suggested that public sector schemes cost substantially more than they would if they were undertaken in the private sector. It was questioned whether the Council was obtaining value for money.

The Director agreed that, although the costs charged by Amey PLC under the contract with them which ran until 2013 were monitored, there was scope for stronger challenge in some instances to ensure that, to the benefit of both the Council and of Amey, it could be demonstrated that value for money was being achieved.

He noted that a limited number of firms based in the County were equipped to undertake the larger capital schemes. Work with colleagues in the West Midlands was being undertaken to develop a framework to secure value for money from the larger contractors who could undertake such schemes.

- That the transparency required of public bodies also contributed to higher costs because contractors had an indication from published documents of how much money was available for particular schemes.
- The practice of acquiring insurance bonds for certain schemes was discussed. It was noted that these cost some £25-30k to arrange and many authorities did not use such bonds. However, in the case of the Riverside School, taking out a bond had resulted in a saving of some £600k.
- Briefing notes were requested on the control exercised over consultants with particular reference to the Ross flood alleviation scheme and the scope for schools to undertake small schemes themselves.
- It was requested that safe routes to schools should be incorporated into all new school build projects.

RESOLVED:

- That**
- (a) that the report be noted; and**
 - (b) briefing notes be provided on the control exercised over consultants with particular reference to the Ross flood alleviation scheme and the scope for schools to undertake small schemes themselves.**

34. WORK PROGRAMME

The Committee considered its work programme.

It was noted that an update on ICT Services and consideration of the Executive's proposals for the provision of affordable housing needed to be added to the programme.

RESOLVED: That the work programme as amended be approve as a basis for further development.

The meeting ended at 12.50 pm

CHAIRMAN