

REPORT OF THE STRATEGIC MONITORING COMMITTEE

Meeting Held on 10th April, 2006

Membership:

Councillors: T.M. James (Chairman), Councillor Mrs. P.A. Andrews (Vice-Chairman), W.L.S. Bowen, H. Bramer, A.C.R. Chappell, J.H.R. Goodwin, Mrs M.D. Lloyd-Hayes, J.P. Thomas, W.J.S. Thomas.

REVIEW OF THE STRATEGIC SERVICE DELIVERY PARTNERSHIP

1. The Herefordshire Strategic Service Delivery Partnership involving the Council, Herefordshire Jarvis Services Limited (HJS) and Owen Williams Limited commenced in September 2003 with the award of 10 year contracts to each of these two firms.
2. The scope of the contract with HJS includes highway maintenance, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier services, printing, vehicle maintenance, signage, building maintenance, building cleaning, and event catering. The scope of the contract with Owen Williams Limited covers the provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services. The combined expenditure on the two contracts represents a significant proportion of the Council's revenue and capital procurement budgets (12%).
3. The Committee considered that it was important to scrutinise the operation of the Partnership and commissioned a Review Group to undertake a detailed review. The Executive Summary of the Group's report is appended, together with the recommendations to the Executive which the Committee has endorsed. (A copy of the full report is available on the Council's website as part of the agenda papers for the Committee's meeting on 10th April or is available on request.)
4. The Executive has been asked to report on its response to the recommendations at the Committee's next meeting on 26th June, 2006. The Committee has indicated that it will also wish to review the progress made in response to its recommendations in six months time.

REVIEW OF ICT SERVICES

5. Work on the Committee's review of ICT Services is commencing. The Committee has agreed a revised timetable for the Review, which it is now intended to complete by the end of July, 2006.

PAY AND WORKFORCE DEVELOPMENT STRATEGY

6. In response to its request for more information about staff turnover and findings from exit interviews the Committee has been advised that employee turnover is steady. However, within the overall turnover figures there are areas within Directorates where turnover issues are to be addressed via the Pay and Workforce Development Strategy Annual Operational Plan 2006-7. Actions to address turnover and key shortage areas, and address the Joint Area Review findings include:
 - Developing a system for analysing skills/workforce shortage areas to include local and national trends to inform workforce planning, and

- Development of initiatives to address identified key shortage areas e.g. in Social Care (Children's and Adults), Planning, Environmental Health, Trading Standards based on workforce planning information developed by the end of July 2006.
7. Particular focus within the overall turnover figures is to be given to Social Care (Children's), and Adult Learning Disability Services.
 8. The Committee was also informed that the Council does not currently operate a fixed establishment, making it difficult to assess vacancy rates accurately. An establishment is now to be put in place to make it easier to identify and manage vacancy levels in the future. It is intended that the system will retain a degree of flexibility so that employee levels can continue to be managed according to service delivery needs.
 9. The Committee has also noted the findings of the quarterly surveys of leavers from the organisation and that the Pay and Workforce Development Strategy aims to continue to address the issues raised through the actions in the operational plan 2006-7 and as part of the longer-term aims for 2008 – in particular actions to address pay, reward and recognition and developing a generic careers structure for the Council.
 10. The Committee will continue its regular monitoring of the Pay and Workforce Development Strategy and the implementation of the operational plan.

FORWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2006/07

11. The Committee has noted the Council's strategy for achieving service efficiencies for 2006/07.

LOCAL PUBLIC SERVICE AGREEMENT

12. The Committee has noted that the Performance Reward Grant earned under the first Local Public Service Agreement (LPSA) was £1.65 million, 47% of the total available of £3.54 million and that the sum is to be invested in LPSA 2.

LOCAL AREA AGREEMENT

13. The Committee has noted the negotiation with the Office of the Deputy Prime Minister of the Local Area Agreement (LAA) which will run for three years from 1st April, 2006. The Agreement incorporates LPSA 2 which will in future be described as the reward element of the LAA. The Committee has been informed of arrangements for performance management of the Agreement and that regular monitoring reports on the LAA action plan will be presented to Cabinet.

THE ANNUAL OPERATING PLAN 2006-07

14. The Committee has noted the development of the Council's Annual Operating Plan to serve as the basis for performance management.

WORK PROGRAMMES

15. The Committee is to give further consideration to its work programme and those of the other Scrutiny Committees in response to the Council's overall Improvement Plan, being prepared following the Comprehensive Performance Assessment of the Council, and will also consider the extent to which it should have regard to the Annual Operating Plan referred to above.

ISSUES CONSIDERED BY THE INDIVIDUAL SCRUTINY COMMITTEES

16. The work of the Committees is analysed below as far as practicable under the following five roles for overview and scrutiny: holding the executive to account, best value reviews, policy development and review, external scrutiny, and improvement (performance management and review), the first four of which are identified as key roles in the report on “The Development of Overview and Scrutiny in Local Government published by the Office of the Deputy Prime Minister”. Issues considered by the Strategic Monitoring Committee are listed for completeness.

Summary

17. The **Adult Social Care and Strategic Housing Scrutiny Committee** met on 17th March, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Review of Services to People with Learning Disability Homelessness Prevention White Paper – Our Health, Our Care, Our Say; a new Direction for Community Services
External Scrutiny	
Improvement (Performance Management and Review)	Budget Monitoring Future Budget Position Performance Monitoring
Other	

18. The Committee is undertaking a review of services to people with a learning disability recognising the pressures on the service caused by changing demography, spending patterns and changes in expectations and the need to review the current use of resources and future needs. A series of visits have been undertaken to meet staff and service users. A number of issues have been raised and the intention is to complete the review and make recommendations to the Cabinet Member (Social Care Adults and Health) for consideration in the summer.
19. The Committee has also given careful consideration to the current and future budget position. It has requested that a seminar be arranged to discuss the budget and future service delivery in more detail.
20. The **Children’s Services Scrutiny Committee** met on 13th March, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	
External Scrutiny	
Improvement (Performance Management and Review)	Joint Area Review of Children’s Services in Herefordshire Health of Children and Young People in Herefordshire
Other	

21. The Committee has given consideration to recommendations for improvement following the recent Joint Area Review (JAR) of Children's Services. When the Committee met it was noted that the JAR Improvement Plan had been sent to the Commission for Social Care Inspection (CSCI) and the Department of Education and Skills (DfES). The outcome of their assessment of the Service's capacity to improve as a result of the Improvement Plan was still awaited. The Improvement Plan resulting from the JAR inspection and any implications arising from it will be reported to the next meeting. A performance monitoring report on performance against the JAR Improvement Plan, will form an integral part of the Committee's future work programme. The Committee is also to undertake a series of fact-finding visits to the various services within the Directorate to inform its understanding of the Services.
22. The Committee has also been briefed on the work undertaken by Children's Services and its partners to improve and maintain the health of children and young people in Herefordshire, noting in particular the work undertaken by the Herefordshire Healthy Schools Partnership.
23. The **Community Services Scrutiny Committee** met on 24th March, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Community Youth Service partnership Arrangements with the Voluntary and Community Youth Sector Refurbishment of Kington Library Review of Independent Museums and Heritage Centres
External Scrutiny	Halo Leisure Services Ltd
Improvement (Performance Management and Review)	Performance Monitoring
Other	-

24. The Committee met in Kington to allow the public to hear at first hand an update on progress in refurbishing Kington Library. A question had been submitted by a representative of Kington Tourism Group about the implications of the Scheme for the location of the Tourist Office and she was also able to contribute to the discussion at the meeting. Further discussions are to be held to try to resolve that matter.
25. Last year one of the Committee's Co-opted Members, following a request from a member of the public, proposed a review of the Council's support for independent museums and heritage centres in the County. The Committee decided to undertake the review and has now agreed a scoping statement for the review which it is planned to complete by April 2007.
26. In fulfilling its remit to scrutinise the provision of leisure services the Committee has scrutinised the operation of the external provider HALO Leisure Services Ltd.
27. The Committee has also considered the working relationship with the voluntary and community youth work sector and Herefordshire Council's Community Youth Service. The Committee was concerned that the Service is unlikely to achieve its four DfES key performance indicators by the end of the year due to the low resource base of the Service. It has asked that the Children's Services Scrutiny Committee should be informed of these concerns and should closely monitor developments.

28. The **Environment Scrutiny Committee** met on 27th March, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	-
Best Value Reviews	Improvement Plans
Policy Development and Review	Clean Neighbourhoods and Environment Act 2005
External Scrutiny	
Improvement (Performance Management and Review)	Capital Programme Revenue Budget Performance Indicators Environment Directorate's Contribution to the Herefordshire Plan
Other	

29. The Committee has been informed of the principal measures contained in the Clean Neighbourhoods and Environment Act 2005 and received an overview of the potential impact of the Act on the services provided by the Environment Directorate. The Committee has welcomed various aspects of the Act including the introduction of new Litter Clearance Notices which should enable the Council to enforce areas it had been unable to do previously. The Act also confirmed that cigarette butts and discarded chewing gum were classed as litter. In this respect the Committee particularly noted a comment that the Government were considering imposing a hefty tax on chewing gum with the proceeds being used to help Councils with the cost of cleaning chewing gum from footways. The Committee has recorded its support for such a proposal to tax chewing gum, particularly the synthetic gum, and invited the Executive to make representations on the matter.

30. The **Health Scrutiny Committee** met on 16th and 23rd March, 2006 and considered the following issues:

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Public Health Services Development of Stroke Services in Herefordshire White Paper – Our Health, Our Care, Our Say; a new Direction for Community Services
External Scrutiny	
Improvement (Performance Management and Review)	
Other	NHS Reconfiguration

31. The Director of Public Health's (DPH) Annual Report, considered by the Committee in January 2006, noted that people in Herefordshire are, in general, healthier than they are in the rest of the Country. However, overall MMR vaccine uptake rates are below the nationally recommended levels with a variation in uptake rates across the County. There is also now evidence of a rise in the infections the vaccine is supposed to prevent. The DPH report also highlighted that the percentage of 5 year olds free from tooth decay is below the average for England and Wales and is the lowest within the West Midlands (South) Strategic Health Authority area and that fluoridation of the water supply is agreed to be the most effective tool in reducing

dental health inequalities. The Committee requested and received detailed information on these two areas of concern. It will be seeking to support the Primary Care Trust in achieving improvement in these two areas as part of the Committee's focus on the public health agenda as a whole.

32. The Committee has also received a detailed presentation on proposals for the development of stroke services in the County, another area where the need for an improvement in provision has long been acknowledged, and has supported the approach being proposed by the Primary Care Trust in conjunction with the Council.
33. The business to be conducted by the Strategic Monitoring Committee at its meetings on 13th February, 2006 and 10th April, 2006 is summarised below.

Theme	Reports
Holding the Executive to Account	
Best Value Reviews	
Policy Development and Review	Review of the Strategic Service Delivery Partnership Review of ICT Services Revenue Budget Strategy and Capital Programme 2006/07 Annual Operating Plan 2006-07
External Scrutiny	
Improvement (Performance Management and Review)	Pay and Workforce Development Strategy Forward Looking Annual Efficiency Statement 2006/07 Local Public Service Agreement Local Area Agreement
Other	Work Programme

T.M. JAMES
CHAIRMAN
STRATEGIC MONITORING COMMITTEE

BACKGROUND PAPERS

- Agenda Papers of the Meeting of the Strategic Monitoring Committee held on 10th April, 2006.

REVIEW OF THE STRATEGIC SERVICE DELIVERY PARTNERSHIP**Executive Summary**

1. The Herefordshire Strategic Service Delivery Partnership (The Partnership) commenced on 1st September 2003 with the award of initial 10-year contracts to Herefordshire Jarvis Services Limited (HJS) and Owen Williams Limited. HJS is a joint venture between Herefordshire Council and Prismo Limited, a wholly owned subsidiary of Jarvis PLC.
2. The current expenditure under the service delivery agreement between the Council and HJS is approximately £15 million per annum. The scope of the contract includes highway maintenance, grounds maintenance, street cleansing, toilet cleansing, recycling, street lighting, courier services, printing, vehicle maintenance, signage, building maintenance, building cleaning, and event catering.
3. The current expenditure under the service delivery agreement between the Council and Owen Williams Limited is approximately £1 million per annum in fees. The scope of this contract covers the provision of engineering services for policy development, design and implementation, including transportation and traffic engineering, management and control; highway design and management; materials testing; general infrastructure development; property/architectural services and other associated technical services.
4. This combined expenditure represents a significant proportion of the Council's revenue and capital procurement budgets (12%) and provides for the delivery of a wide range of important services.
5. The Strategic Monitoring Committee decided in July 2005 that it would be timely to scrutinise the operation of the Partnership and appointed a Review Group comprising 6 Members of the Committee to carry out this task.
6. The Group's principal finding is a concern about the viability of Herefordshire Jarvis Services and the implications of this for service delivery. Factors leading to that concern include evidence that assumptions underpinning the Business Plan were optimistic and that the negativity associated with the Jarvis name is preventing the Company generating significant new business. Coupled with ongoing annual rate reductions for jobs and an 8% fee on the sum invoiced to the Council paid to Jarvis PLC for managerial support it appears extremely difficult to see how HJS can continue to deliver the contract and make a profit. In these circumstances the Group was concerned that the temptation would be for the contractor either to seek to inflate the cost of each job or to reduce service delivery in some way and that this might not be immediately apparent to the Council. The Group has made a number of recommendations intended to suggest a way forward but can not pretend to be optimistic.
7. It has particular reservations about the 8% fee on the sum invoiced to the Council by HJS for works it has carried out under the service delivery agreement which is paid to Jarvis PLC for managerial support. These relate to the implications of the annual fee for the profitability of HJS and the benefit received in return for the payment.
8. To date, although the fee is shown in the HJS accounts no money has actually been taken out of the HJS business because the business is not earning enough to pay the charge. The Group was told that within 2 years HJS expected that the business would be able to sustain the charge, with the aim of generating a profit of 10% within

5 years. The Group can not therefore see how in future HJS could repay the debt which has accumulated and continues to accumulate. It is also therefore unlikely that the Joint Venture Company, in whose profits the Council expected to share, will now in fact be able to make a profit once the 8% charge is taken into account.

9. Although HJS receives certain services from Jarvis PLC in return for the 8% sum the Group also did not consider this payment represented value for money. There was no evidence of the input into the Partnership of significant additional expertise and innovation which might have been expected from a large Company such as Jarvis PLC.
10. The Group has therefore recommended that firm representations be made to Jarvis PLC to write the sum off. The Group has also recommended that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money.
11. The Group has also identified shortcomings in the Business Planning Process highlighting the need both for HJS to revisit its process and to comply with the provisions of the Contract governing production of the Business Plan. It has also commented on the need for the Council to recognise its own role and to monitor and influence the contract, adopting a more robust and challenging approach.
12. The Group has also commented on the implications for HJS of the negative image associated with the Jarvis name and the potential hindrance that the association with Herefordshire might have in securing external work.
13. Given its concern about the viability of HJS the Group sought and received assurance from officers that service delivery would continue in the event of failure of HJS. It has also noted the need for the Council's Contingency Plan to be updated and robust, and for systems to be in place to ensure that the services are being and continue to be delivered to the quality, cost and standard required.
14. In relation to Owen Williams the overall picture presented to the Group was that Owen Williams had sought to develop a responsive local team that sought to provide a good service. If problems did occur Owen Williams was ready to seek a constructive solution. The Group did, however, consider that the fee levels charged by Owen Williams required further monitoring and examination.
15. In terms of the operation of the Partnership as a whole the Group has commented on the need for closer working relationships to be developed, in particular between HJS and Client officers. It has noted that co-location of staff has had some benefits in this respect.
16. It has recognised the progress in developing a Joined Up Programme of work and action being taken to continue to improve the process. However, the Group thought that there was a need for a renewed focus on developing the Partnership to maximise the potential benefits.
17. The Group hopes that its report will make a constructive contribution to consideration of the future operation of the Strategic Service Delivery Partnership.

15. Recommendations

- 1. That the scope for further improvements in the working practices of both HJS and the Council should be vigorously explored.**
- 2. That each partner needs to have a clearer understanding of what each can contribute to the Partnership to improve service delivery and consider what can be done to remove the barriers which are impeding progress, with the Council proactively seeking to draw on the expertise available from Jarvis PLC which HJS representatives have said is available.**
- 3. That HJS be encouraged to revisit its business planning process.**
- 4. That action should be taken to ensure compliance with the provisions of the Shareholders agreement.**
- 5. That the Council's Observers on the Board should take a more proactive role.**
- 6. That monitoring reports should be presented to the Corporate Management Board and to Cabinet by the Council's observers on a quarterly basis.**
- 7. That it be clearly understood that the 8% recharge relates only to that part of the turnover of the Company that is related to the work undertaken for the Council under the Service Delivery Agreement.**
- 8. That the issue of the accruing HJS deficit needs to be addressed and firm representations should be made to Jarvis PLC to write this sum off.**
- 9. That as the Group could find no evidence that the Joint Venture Company received value for money from this fee it further recommends that the Council explore whether it is possible to ensure that future payments for management services are only made when evidence is received that these have been provided and that the payment therefore does represent value for money. A breakdown of costs of past services should be requested to inform this discussion.**
- 10. That a robust updated contingency plan be prepared.**
- 11. That emphasis be placed on the development of good, closer working relationships between HJS and client officers and progress closely monitored by Senior Management/the Corporate Management Board.**
- 12. That the need for staff to be familiar with the detail of the Contract with HJS should be reinforced and appropriate training provided, with refresher sessions for trained staff at appropriate intervals and a clear formal induction programme for new staff.**
- 13. That the fee levels charged by Owen Williams require careful monitoring and examination with clear procedures in place to ensure fee levels are controlled.**
- 14. That the Partnership Board renew its focus on developing the Partnership to maximise the potential benefits.**
- 15. That HJS should change its name and adopt a new name which does not include the words Jarvis or Herefordshire.**