FINANCE AND SERVICES SCRUTINY COMMITTEE

4 APRIL 2017

PRESENT: Councillor M Rand (Chairman); Councillors B Chapple OBE (Vice-Chairman), B Everitt, N Glover (In place of J Chilver), A Huxley, S Lambert, C Poll (In place of J Bloom), E Sims, M Stamp and M Winn. Councillors Mrs A Macpherson and H Mordue attended also.

APOLOGIES: Councillors Mrs Bloom, J Chilver and M Smith.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 9 January 2017 be approved as a correct record.

2. LEISURE CENTRES MANAGEMENT CONTRACT

The leisure management contract for the management and operation of the council's two leisure centres (Aqua Vale Swim and Fitness centre, Aylesbury and Swan Pool and Leisure Centre, Buckingham) were awarded to Sport and Leisure Management Ltd, trading as Everyone Active (EA) from April 2013 for an initial period of ten years with an option to extend the contract, by mutual agreement for up to a further five years. EA paid the Council approximately £510,000 each year to manage the council's leisure centres.

Formal contract monitoring was undertaken by the AVDC client officer through a monthly contract meeting with EA Contract managers and site visit together with ad-hoc contract meetings with the Regional Director of EA. In addition, any complaints received by the Council were followed up with EA to ensure that they were resolved in a satisfactory manner. Furthermore, AVDC Environmental Health Officers reviewed the water quality test results if there were any concerns regarding the water quality.

Concerns and reports of poor standards of cleanliness were received from time to time and were usually swiftly handled by EA. However, more recently concerns appeared to be of a recurring nature. Some Councillors had also expressed some concerns at the October 2016 Council meeting, and again in December 2016, on negative feedback received from users of Aqua Vale about the poor quality of cleanliness experienced. The Cabinet Member for Community, Leisure and Civic Amenities have given Members an undertaking to visit Aqua Vale in January 2017 and to meet with EA. She had also extended an invitation to all Councillors to come along and visit Aqua Vale with her.

Councillor Mrs Macpherson had met with the Regional Director of EA and local contract management in December 2016 to discuss her concerns and to seek assurances that quality standards would be greatly improved. An action plan had been proposed by EA and agreed by the Council to implement a series of immediate actions and improvements.

As a consequence of the poor standards experienced, monitoring of the contract had been stepped up and a significant increase in unannounced site visits now took place to ensure standards continued to improve.

Councillor Mrs Macpherson and approximately ten Councillors had visited Aqua Vale in January 2017 to see first hand the progress made to date and the current state of the centre. Improvements to the standards of cleanliness were clearly apparent and further changes were planned to continue to raise standards in the near future. It was important to note however, that there were no significant cleanliness or service concerns at Swan Pool and Leisure Centre, Buckingham.

An internal audit of contract monitoring was currently underway as part of the audit work programme to review existing arrangements and to seek any best practice recommendations that would strengthen the process and give Members greater confidence.

Councillor Michael Rand (Chairman of the Scrutiny Committee) and Councillor Mrs Macpherson have invited EA to attend the scrutiny committee to enable Members to seek assurances and to learn directly of EA's commitment to continuous improvement to cleanliness standards and to ensure customers received a quality experience on every visit to the centre.

Members had asked a number of questions of Everyone Active and AVDC's Partnerships and Projects Manager in advance of the meeting and a copy of the questions and the responses were circulated at the meeting.

Everyone Active (EA) representatives at the meeting included the Regional Director, Area Contract Manager, General Manager of the Swan Pool (who was now based at Aqua Vale) and the new AVDC Contract Manager.

EA acknowledged that the overall standards at Aqua Vale had not been up to scratch or as they would expect to provide and that they should have been more proactive in responding to issues that had arisen. The Council's Officers also commented that they could have been more proactive in managing the contract and in addition to the monthly review meetings and inspections they had now substantially increased the number of unannounced inspection visits to ensure that standards were acceptable and continued to improve. Members were informed by EA that a number of changes had been made including changes to the senior staffing structure, and the cleanliness and maintenance regimes as follows:-

- contract cleaners had been cleaning Aqua Vale since January 2017. This had resulted in a dramatic improvement in cleanliness and no complaints had been received during February-March. This cleaning regime would continue for the remainder of the contract.
- 3 new senior managers had been brought into Aqua Vale. These people were experienced at running facilities for EA at other leisure centres and included a new Operations Manager, a Technical Manager and a Health and Safety Manager.
- new front of house managers had been appointed to deal with peak holiday periods. A concierge type system would operate along entrance queues at peak times to assist with admitting Members quicker to the centre.
- the rates of pay for lifeguards had been increased and was assisting with recruitment.
- the maintenance programme, schedule and plant had been reviewed. EA was confident that the future maintenance programme was robust, but would also continue to be proactive in response to any issues that arose.

It was explained that the main cause of queues at peak times was to refund people their car parking charge. EA and Council Officers would be meeting soon to discuss how this situation might be improved. This would also need to consider issues such as car parking orders that were in force for the Aqua Vale car park.

Members sought additional information and were informed:-

(i) that lifeguard positions were publicised with local colleges and schools to assist with recruitment. Part-time lifeguard positions were also available.

(ii) that the importance of managing the Aqua Vale facility to a high standard was recognised, including the reputational impact of not doing so on both EA and for AVDC.

(iii) that the additional costs of cleaning and management at Aqua Vale would be borne by EA.

(iv) that the management of Aqua Vale was more complex than the Swan Pool, mainly due to the larger throughput of people using the Aqua Vale swim facilities. This also made it easier to react to issues when they arose at the Swan Pool.

(v) on how the Help Desk / monitoring system worked, and complaints/issues were then responded to. It was explained that the management contract included standards and timescales that the Council expected the operator to adhere to in rectifying problems when they occurred, e.g. health and safety issues would be resolved within one hour. It was further explained that the operator needed to be given a reasonable time to put things right before the Council considered imposing any penalties provided for in the contract.

(vi) by the Area Contract Manager that a review of all internal procedures at Aqua Vale had been undertaken, including looking at the best and most appropriate times to undertake maintenance activities. An explanation was also provided of how the additional staffing would assist in the operation of the centre and that EA staff who were visiting Aqua Vale for a particular reason were now also asked to walk through the centre and report on any issues they might identify.

(vii) that Aqua Vale would be re-assessed again soon against ISO 14001 (Environmental Management) and ISO 18001 (Health and Safety Practice), which was a requirement of the contract. A copy of the inspection reports would be provided to Members in due course.

Members also commented:-

- that they were pleased that EA and the Council Officers had been honest in acknowledging that the management of Aqua Vale needed to improve. Members were also satisfied that the actions outlined were sensible and would ensure that standards were acceptable and continued to improve. However, concerns were also expressed that there had been management failure and matters had been allowed to deteriorate before actions /intervention had taken place to improve standards to an acceptable level.

- that the unannounced site inspections should be carried out at different times of the day and week, and not just during normal working hours.

- that the centre may wish to re-look at how the Customer Panel operating at Aqua Vale was constituted and its effectiveness in reporting customer views of the centre and services provided.

RESOLVED –

(1) That the representatives from EA be thanked for attending the meeting and explaining the action plan regarding the management of Aqua Vale.

(2) That the Action Plan for the management of Aqua Vale to ensure that standards were acceptable and continued to improve be noted.

(3) That EA be invited back to the scrutiny committee meeting on 3 October 2017 regarding monitoring the Leisure Centres management contract.

3. TREASURY MANAGEMENT STRATEGY

The Committee received a report that had been submitted to full Council on 22 February, 2017, on the Treasury Management Policy Statement for 2017/18. The statement, as well as the Treasury Management Strategy Statement and the Annual Investment Strategy were attached as appendices to the report.

Under the terms of the Statutory Code of Practice for Treasury Management, the Council was required each year to consider its treasury management performance before 1 April and to determine its Treasury Management Strategy for the succeeding year. As such, the strategy was being reported to scrutiny following approval by Council.

The annual Treasury Management Strategy included the Prudential Indicators that were used as part of the self governance framework. The Prudential Indicators that needed to be determined along with some changes were highlighted and were as follows:-

Capital and Debt Indicators

Capital Expenditure -	Represented the agreed Capital Programme and set out the planned capital expenditure over the next three years.
Affordability Index -	This was the proportion of the Authority's income which was taken up by loan repayments and interest. The more the Authority borrowed the less was available for delivering services.
Capital Financing Requirement -	The amount the Authority needed to borrow in order to deliver its Capital Expenditure plans.
Authorised Limit -	The combined maximum amount the Authority could take in borrowing to finance its capital expenditure plans and its day to day cash flow purposes.
Operational Limit -	The amount the Authority realistically expected to borrow and represented the figure that the Authority would not expect to exceed on a day to day basis.

Treasury Management Indicators

Exposure to Interest Rate Risk -	The maximum proportion or borrowing which could be on either fixed or variable interest rates. By setting a maximum proportion a limit was placed on the amount by which the Authority's finances would be affected by movements in base rates.
Maturity Profile -	The maximum length of time over which borrowing could be taken. Authorities could borrow for any length providing that they could afford to do so.

There had been a couple of changes to the 2017/18 strategy to take account of the changes to the Capital Programme and the need to increase the number of potential counter parties.

The Capital Programme now included the scheme to refurbish the Pembroke Road depot, the cost of which was to be met from borrowing. As a result there was a need to increase both the Operational and Authorised Limits otherwise the total borrowing would exceed the current limits. Increasing the limits would also allow for any short term borrowing that might be required as a result of changes in cash flow. It was not envisaged that there would be a need to take any short term borrowing in 2016/17 and 2017/18.

Members were informed of the increase in limits, as detailed in the table below:

£'000s	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Authorised Limit	50,000	70,000	70,000	70,000
Operational Boundary	35,000	50,000	50,000	50,000
Capital Financing Requirement	35,321	50,500	49,277	47,827
External Debt	23,080	35,705	30,525	30,340

The strategy had been updated to allow the Council to lend to parish councils. Parish councils expenditure had grown in recent years and an increasing number were making use of Money Market Funds for investing their surplus cash. As such, there might be a need for them to borrow short term to meet their cash flow requirements. The strategy had set a £500,000 and six month limit, if the opportunity arose.

The Council's treasury advisor, Capita Asset Services, as part of their service had provided a view on the future forecast rates for Base Rate and PWLB:

	Q1 17	Q2 17	Q3 17	Q4 17	Q1 18
Base Rate	0.25%	0.25%	0.25%	0.25%	0.25%
PWLB - 5yr Rate	1.60%	1.60%	1.60%	1.60%	1.70%
PWLB - 10yr Rate	2.30%	2.30%	2.30%	2.30%	2.30%
PWLB - 25yr Rate	2.90%	2.90%	2.90%	3.00%	3.00%
PWLB – 50yr Rate	2.70%	2.70%	2.70%	2.80%	2.80%

The Monetary Policy Committee, (MPC), had cut the Base Rate from 0.50% to 0.25% on the 4 August 2016 in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half on 2016. It had also given a strong steer that it was likely to cut the Base Rate again by the end of the year. However, economic data since August had indicated much stronger growth in the second half of 2016 than forecast. As well, inflation forecasts had risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, the Base Rate had not been cut again in December and, on current trends, another cut or move again appeared unlikely until 2019.

Interest rate forecasting remained difficult with so many external influences weighing on the UK. The above forecasts would be liable to further amendment depending on economic data and developments in financial markets. Geopolitical developments, especially in the EU, would also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon would be heavily dependent on economic and political developments.

The overall longer trend was for PWLB rates to rise, albeit gently. PWLB rates had been experiencing exceptional levels of volatility, highly correlated to geo-political, sovereign debt crisis and emerging market developments. It was likely that these exceptional levels of volatility would continue in the foreseeable future.

The EU was introducing legislation to regulate firms who provided services to clients linked to financial instruments and the way they were traded. The "Markets in Financial Instruments Directive" (MIFID 2) was set to commence on the 3 January, 2018. Within the directive there was a key change that affected Local Authorities who would be deemed to be "Retail" clients by default as opposed to "Professional" as they were now. This would reduce the ability of Local Authorities to invest funds in certain products and so could further reduce interest achieved through investments.

There would be an option to opt-up to "Professional" if a number of qualitative and quantitative test criteria could be satisfied. The opt-up process was not a one off exercise and would also need to be undertaken with every counter party / fund manager that the council dealt with. One of the tests was that councils would need to have £15m or more in their investment portfolio, which currently Aylesbury Vale would meet.

Until it was clear what investment options were available under each status, it is too early to say which of the counter parties / fund managers would require the opt-up exercise to be undertaken. However, the majority of local authorities' investment was through bank and building society deposits and fell outside the scope of the directive.

The Council's treasury advisors, Capita Assets, the Local Government Association (LGA) and other financial institutions were responding to the consultation from the Financial Conduct Authority (FCA), arguing that Local Authorities must be able to continue to invest as they did now and that the new classification should not be applied. The consultation process was still on going so any significant changes would be reported to Members at the earliest opportunity.

Last year the use of Property Funds was included within the strategy as an alternative long term deposit to the use of Fund Managers. During the year there was no proposal to invest in a property fund. It this did happen in 2017/18 then it would be reported to Members before any decision was made.

RESOLVED –

That the Treasury Management Strategy for 2017/2018, Prudential Indicators and Minimum Revenue Provision policy statements, as detailed in the appendices to the Council report, that had been approved by Council be noted.

4. WORK PROGRAMME

The Committee considered the work programme for the period up until December 2017.

The list of updated agenda items for meetings would be:-

(i) 10 July 2017 – Investment Strategy, Vale Commerce Business Plan, Quarterly Finance Digest (March 2017)

(ii) 3 October 2017 – Leisure Centres Management Contract, Quarterly Finance Digest (June 2017)

(iii) 30 November 2017 – Draft Budget Proposals for 2018/19, Quarterly Finance Digest (September 2017), Connected Knowledge Strategy (implementation).

It was also commented that future agenda items could include an update on the new business rates system and on preparations AVDC were taking regarding modernising local government in Buckinghamshire.

RESOLVED –

That the work programme be agreed, as discussed at the meeting.

5. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL

The Council's IT Strategy for 2017 – 2022 (under the banner of "Connected Knowledge") had been approved by full Council on 22 February, 2017. It had been noted that the Strategy would be implemented in phases. A report similar to that which would be considered by Cabinet on 11 April 2017 was considered which detailed the funding requirements for, and the expected benefits from, the first phase and an indication of the costs of subsequent phases.

Delivery of the Connected Knowledge Strategy would enable AVDC to continue to be at the vanguard of innovative thinking, delivering excellent customer service, making savings in service delivery and generating income by both supporting general commercial opportunities, and providing consultancy services to other councils.

The Strategy would be delivered over a five year period. Phase one covered the period up to the end of 2017. The learning from phase one would be factored into the proposals for subsequent phases. A further update would be submitted in December, 2017, at which time proposals for the implementation, funding and expected benefits of future phases would be presented.

AVDC had a good track record of delivering large scale, strategic projects of this type, e.g. the Waterside Theatre, and the "Right Here Right Now" programme. These were high profile transformational programmes delivered successfully. Phase one of the Connected Knowledge Strategy would require investment in three key areas:-

- The introduction of process automation and customer self service.
- The removal of legacy technology and the introduction of more flexible systems that would further support integration of data to enable customer needs to be anticipated.
- The introduction of innovative new solutions such as voice recognition.

Experience gained in connection with earlier major change programmes was that strong governance processes were required both to ensure that the programme delivered on time and on budget and that any variations in scope or costs were closely scrutinised. This also ensured that the predicted benefits were achieved and banked. Accordingly, the release of funds during the course of implementing the programme would be closely monitored. As with any major change programme of this type there would inevitably be changes in circumstances. Phase one covered the foundational projects required to deliver future strategic and visionary elements.

A programme of this scale and complexity required dedicated support to ensure focus on delivery was maintained throughout the life cycle of the project:-

- A programme manager (1) to manage and control the overall programme and ensure that it focussed on the anticipated outcomes.

- Project managers (5) to deliver individual projects and outputs. It was envisaged that one of these individuals would be a senior project manager.

- Business analysts (5) to complete detailed analysis into current processes, costs, technology solutions and costs.

AVDC staff would wherever possible be used to fill programme roles and would be supplemented by external resource where there was insufficient internal resource or there was a requirement for a specific skills set which was not available internally within AVDC. Additional non-dedicated resource would also be required from other internal teams such as Communications and marketing, Sales, Finance and Legal. Member involvement was essential to assist with the direction and benefits realisation of the programme.

Details of the costings were included in the confidential part of the agenda.

Members requested additional information on the Strategy's phases and costs and were informed:-

(i) that Members were being asked to approve a strategy that would be delivered over a 5 year period, and funding relating to implementing Phase One of that strategy. A further report would be brought to Members in approximately 9 months time when proposals could be discussed for the investment for future years. The report would also look at issues such as monitoring savings made and that the Council was getting a return on the investment into the new technologies and ways of working.

(ii) that while the Council was increasingly asking customers to access Council services on-line, it would still need to be reactive to other queries.

(iii) that broader concerns regarding change, risk and business continuity would be picked up as part of the Commercial AVDC programme.

(iv) that the Council was confident that the new arrangements complied with data protection legislation.

(v) that the Right Here Right Now programme was being incorporated into Connected Knowledge

(vi) that it was currently difficult to quantify the amount of additional revenue that would be generated through the ideas and being able to then sell on these services and ways of working to others.

RESOLVED –

(1) That the scrutiny committee was supportive of the investment specified in section 1.0 of Appendix B attached to the confidential part of the agenda, and for the funding to be approved so that work could continue on delivering a leading edge, forward thinking platform to enable AVDC to develop customer first processes, a streamlined internal operation and a framework for increased opportunities for external commercial sales.

(2) That the indicative costs and benefits of implementing the full five year Strategy outlined in section 2.0 of Appendix B be noted, it being appreciated that at this stage both costs and benefits were expected to change as work continued on developing plans for future years.

6. EXCLUSION OF THE PUBLIC

RESOLVED –

That under Section 100(A)(4) of the Local Government Act, 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in the Paragraph indicated in Part 1 of Schedule 12A of the Act.

Connected Knowledge Investment Proposal (Part 3)

The public interest in maintaining the exemptions outweighed the public interest in disclosing the information because the documents contained information relating to the financial or business affairs of organisations (including the authority holding that information), and disclosure of commercially sensitive information would prejudice negotiations for contracts and land disposals/transactions.

7. CONNECTED KNOWLEDGE INVESTMENT PROPOSAL

As part of the discussions at Minute 5, consideration was given to the information contained in the confidential appendix.

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