

FINANCE AND SERVICES SCRUTINY COMMITTEE

4 APRIL 2018

PRESENT: Councillor M Rand (Chairman); Councillors B Everitt (Vice-Chairman), J Bloom, J Chilver, R Newcombe and M Winn.

IN ATTENDANCE: Councillors H Mordue.

APOLOGIES: Councillors S Lambert, M Smith, M Stamp and R Stuchbury.

1. MINUTES

RESOLVED –

That the minutes of the meeting held on 5 February, 2018, be approved as a correct record.

2. CONTRACT MANAGEMENT / PROCUREMENT UPDATE

The Committee received a report updating Members on the approach taken by the Business Support and Enablement sector to manage procurement activities and contract management across the organisation.

A business review had been undertaken during the Commercial AVDC Programme in 2016/17 to identify opportunities to deliver best practice in procurement and make recommendations for potential efficiencies across both the procurement and contract management functions for the council. The analysis had categorised all contracts by risk, value and opportunity, and identified strategic and tactical contracts that could deliver better quality services and/or cost efficiencies.

Additionally, the review had made recommendations to:

- recruit a procurement and contract management specialist team.
- develop a consistent approach to procurement.
- implement a framework for effective contract management.
- develop training and upskill contract owners to ensure contracts were being delivered effectively.
- identify opportunities to reduce/amalgamate spend across the organisation.

Typically with measures such as these in place around 2.5% - 5% of efficiencies and savings could be delivered over the life of all contracts (roughly 5 years).

In August 2017 a centrally led expert team had been created to govern the process. It had been recognised that low value / low risk contracts did not necessarily need to be led by this team. However the team would monitor and act as quality assurance to deliver the identified efficiencies.

The new Corporate Contracts and Procurement team had been created with four members. Aligned with the investments and evolution of Connected Knowledge, the team was managed by Rafael Lima as the IT Procurement Specialist who supported all IT functions. Members welcomed him to this, his first meeting. The roles of procurement specialist, contract management specialist and procurement apprentice had also been created to support all other categories.

The area's objectives were to enhance benefit/value from external service providers, achieve the budget commitment for contract savings, manage risks and ensure

compliance with legislation and internal policies. A recent example of this was the Guide to the General Data Protection Regulation (GDPR) requirements, where all, even low value contracts, were being amended to ensure they complied with GDPR.

The new Contract Management practice was to proactively review contracts that were up for renewal by reviewing the scope with internal stakeholders and re-negotiating terms, ensuring exit and termination of contracts were managed, and that any unnecessary expenditure and risks were mitigated.

Difficult supplier-contract relationships where best value was not being delivered were being closely monitored in a new Monthly Performance Review process. The collaborative approach invited both AVDC and the supplier to take actions on areas such as communication, fulfilment of contract and cost. This approach had led to improvements to internet connection (MLL) and the Finance System (Technology One). At this stage in the evolution of the team, the Monthly Contract Reviews were targeting contracts above £60K with participation of Contract Owners/Budget Holders to drive improvements in the service.

The Tender Exercise process was being standardised to improve the reporting and outline the team's performance, a savings methodology that was also aligned with Strategic Finance. For example, approximately £43,000 savings would be achieved with the 2018 budget through the tender exercise for facilities cleaning and maintenance.

The current specific focus was to improve cost-benefits obtained through tender exercises, amending existing contracts for GDPR compliance and embedding procurement practices and procedures across the Council. The Council's Contracts Procedure Rules stated that procurement involvement was legitimately optional for values below £30,000. In these early stages the procurement team was focussing on renewals and tender exercises above this threshold. The lower value categories were being analysed and spend was being monitored monthly to identify opportunities to reduce costs or align into a contract.

In February 2018, "Topic Taster" sessions had been delivered to managers to create awareness and a revised toolkit had been launched with standard templates and up-to-date information on Connect. Training sessions would be delivered in April/May 2018 to instruct on best practices of purchases, review of procedure, negotiation and contracting. Finally, a closer engagement with the Commercial Strategy team had identified new ideas on how procurement could cultivate partnerships for added value/income opportunities. Further projects in progress included to implement contracts with built-in pay back terms and outsourced consultants acting on behalf of AVDC.

Members sought further information and were informed:-

- Contracts were being reviewed/analysed on a monthly basis in order to understand exactly what the Council's spend amounted to. Some positive results had already been identified from this process, for example in some cases it had been established that the Council was paying for services as an "extra" but they were in fact included within the contract provisions. In some cases even the contractor was not aware of this. This was an initial step in understanding all the contracts the Council had.
- As indicated above, close attention was being paid to staff training in order for service managers to obtain the greatest advantage from the particular contract. These sessions, among other things, covered how to engage with contractors and suppliers and to recognise the advantages in some cases of combining

contracts. A senior managers group had been established and this was also being used as a conduit for training and discussion of issues around contract procurement.

- It was not intended to implement new software on an ad hoc basis but to analyse and assess properly the need and type of IT that might be useful in contract management before committing to any expenditure in this area. Any review of IT requirements would await completion of the staff training programme.

RESOLVED –

That the approach being taken the Council to manage procurement activities and contract management be endorsed.

3. QUARTERLY FINANCE AND PERFORMANCE REPORT

The Committee received the Financial Digest for the period up to the end of December, 2017. The financial information was based on the actual income and expenditure for the 9 months April to December, 2017. An overspend of £2.323m had been identified as at the end of December, 2017. The forecast for the end of the financial year was a predicted overspend of £487,400 against budget, after the application of reserves. The financial position was consistent with that used in budget planning for 2018/19 and future years.

Members had previously discussed the content and format of the Financial Digest and it was noted that work was continuing in this respect. The report now before the Committee was the first iteration of alternative reporting arrangements and Members indicated that this was an improvement over the previous reporting mechanism. The report contained a number of tables which it was agreed were more helpful to Members' understanding of the financial performance of the Council. The report could be viewed in full on the Council's web site at:

<http://democracy.aylesburyvaledc.gov.uk/documents/g2321/Public%20reports%20pack%2004th-Apr-2018%2018.30%20Finance%20and%20Services%20Scrutiny%20Committee.pdf?T=10>

The year to date expenditure of £64.596m represented an overspend against the year to date budget of £3.217. Total income recovery was £48.333m which was £0.894m above budgeted levels. The year to date position by portfolio was submitted, with service detail being included within the Financial Digest itself.

The financial position was largely being driven by above budgeted levels of staff costs in relation to business transformation. Over the past 12 months, the Council had undergone a series of business reviews to better position itself as a commercial organisation. The reorganisation had realised significant savings in staff costs running into future years and had been a central plank in the Council being able to set a balanced budget for 2018/19.

Whilst in the 9 months to the end of December, £0.943m of salary savings had been achieved as a result of the business reviews, it had been necessary to engage temporary staff in some areas where there was a national shortage of suitably qualified personnel. For 9 months of the financial year, temporary staffing costs had been £2.309m above budgeted levels. However, as the year progressed, it was anticipated that these vacancies would be filled on a full time basis, thus reducing considerably the reliance on agency staff. Redundancy costs of £1.667m had been included to date.

For non pay budgets there was an adverse variance against the year to date budget of £0.18m which related spend on premises and properties, utility costs and also included transport costs and other non pay costs related to service delivery.

As at the end of December, 2017, income recovery was £0.894 above budgeted levels. The over recovery included additional income from rents and lettings, grants and income from planning and garden waste.

The outturn position at the end of the last financial year was forecast to be £2.169m adverse against budget. This included £1.739m of redundancy costs although these would be funded from reserves. The Council anticipated however a payback of costs incurred through staff savings over the next few years. The forecast overspend, after the use of reserves was therefore forecast to be £487,400. Members appreciated that 2017/2018 had been an exceptional year, given the comprehensive restructuring that had taken place. The Committee report presented a high level summary of the key issues impacting on each portfolio. The report also covered budget profiling, reserves and provisions, capital spending, risks and mitigations and investment and borrowing.

As mentioned at the beginning of this Minute, members felt that the reporting format was an improvement over that previously submitted for the Committee's consideration and appreciated that this was still a work in progress, with further improvements being made in presentation having regard to individual Member comments.

Members sought further information and were advised as follows:-

- It was accepted that it was difficult to determine whether individual sector spending was within forecasts as the overall position was somewhat obscured by the redundancy costs/agency staff. It was indicated that hopefully the position would become clearer from this financial year onwards but these views would be borne in mind in future reports.
- It was noted that there was a typographical error in the general spend table on page 27 of the Financial Digest. The figure of £487,000 was an overspend rather than an underspend.
- Officers advised that every endeavour was being made to reduce the degree of reliance on agency staff and that this would occur naturally as vacant posts were filled. There were still some difficulties in recruiting to specialist professions such as IT and planning, but this was being addressed. It was confirmed that the Council had a robust contractual arrangement with the company who supplied agency staff and that the costs associated with this were very competitive. An important issue for the Council was the fact that it was imperative to maintain day to day service provision during a significant period of organisational change, which in itself was designed to make the Council much more competitive going into the future. This had necessitated the appointment of temporary staff. The appointment of specialist staff sometimes involved the payment of a premium. It was commented that the Audit Committee had reduced the risk level in relation to the use of agency staff, but the picture now presented suggested that this action might perhaps have been premature. However, Members were assured that agency staff levels were being carefully monitored at sector level and there was an expectation that there would be a significant reduction across the coming financial year.
- It was indicated that reserves currently stood around £1.9m but with contributions at the year end and during the course of the new financial year, this

was likely to increase to around £2m which was considered to be the prudential figure.

- An explanation was given of the position concerning some areas of the Council where it was difficult to recruit to lower pay grades. The Vale was an area of high employment and there was significant competition at this pay level. In particular action had been taken to make pay grades at the Council's depot much more competitive and consistent with the wider market.
- Members also sought some clarification around the phasing of the housing benefits budgets and officers agreed to look at this in relation to future reports.
- Members asked for and were assured that the next report would offer a clearer explanation of the figures associated with car parking and in relation to budget profiling of community centre costs. In relation to the latter it was indicated that there was still some work needed on the explanation of the profiling of expenditure across the year.
- It was confirmed that there were no perceived significant risks around the Council's Capital Programme.

RESOLVED –

That the Financial Digest be noted.

4. WORK PROGRAMME

Members were advised that as requested previously, work was in progress to better align meetings to future financial reporting dates.

The Following items were scheduled to be considered at the meetings indicated:-

9 July, 2018 – Everyone Active had agreed to attend to report on the leisure centres management contract.

15 October, 2018 – Quarterly finance and Performance report.

17 December, 2018 – Budget scrutiny, quarterly finance and performance report.

14 January, 2019 – Budget scrutiny and Equality Duty report.

8 April, 2019 – Nothing programmed as yet.

RESOLVED –

That the work programme be noted.