



**FINANCE & RESOURCES OVERVIEW AND SCRUTINY  
COMMITTEE AGENDA**

**TUESDAY 31 JANUARY 2012 AT 7.30 PM**

**BULBOURNE ROOM, CIVIC CENTRE, HEMEL HEMPSTEAD**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Adshead	Marshall
H Chapman (Chairman)	Organ
Clark	Taylor
Collins	Townsend (Vice-Chairman)
Doole	White
Douris	W Wyatt-Lowe

(Substitute Members: Councillors Anderson, Elliot, Flint, Harris and McKay)

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**1. MINUTES**

To confirm the minutes of the meeting held on 22 November and 14 December 2011.

**2. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

**3. DECLARATIONS OF INTEREST**

To receive any declarations of interest.

**4. PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements or ask questions in accordance with the rules as to public participation.

**5. CONSIDERATION OF ANY MATTER REFERRED TO THE COMMITTEE IN RELATION TO CALL-IN**

## AGENDA ITEM: 6

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny</b>
<b>Date of meeting:</b>	<b>31 January 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Risk Management Quarter 3 Update</b>
Contact:	Councillor Nick Tiley Portfolio Holder for Finance Resources Sally Marshall, Director Finance & Corporate Services Linda Dargue, Insurance & Risk Manager
Purpose of report:	(1) To provide the quarter 3 report on the Strategic Risk Register for comment  (2) To provide the quarter 3 report on Operational Risk Registers for comment
Recommendations	1. That the content of the report is noted and recommended to Cabinet for approval together with any associated comments.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u>  None identified.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report this minimum balances are secured. Budget exercises for 2011/12 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.  Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments

Equalities Implications	Not applicable
Health And Safety Implications	Not applicable
Consultees:	CMT
Background papers:	Risk Management working paper files Report to CMT 24 January 2012

## BACKGROUND

1. The Strategic Risk Register is available on CorVu , copies of the following reports are attached at annex A for ease of reference:

- The Strategic Risk Register
- Direction of Travel report

These reports show the position as at the end of quarter 3. The following amendments to risk scores have been made:

- Risk R1 – Failure to align political aspirations for service delivery with budget pressures. The residual risk score has changed from a 6 to a 3; reflecting the recent review of the Council's priorities and successful preparation for subsequent years' budgets .

2. Although the scores for the other risks have remained unchanged, the comments boxes have been updated, reflecting the present position. This provides a clear understanding of progress to date on the management of these risks.

3. The Direction of Travel report for quarter 3 shows an improvement in the overall management of the Strategic Risks.

4. The Operational Risk Registers are now available on CorVu; a copy is attached at annex B for ease of reference. The updates to these risk registers are being undertaken by Assistant Directors. As with the Strategic Risks the updating of the comments boxes provides a clearer picture of the current position regarding these risks.

5. The following amendments to risk scores have been made:

### **Finance & Governance – Finance & Resources**

- Risk F2 – Capital Programme not delivered -the risk score reduced from 9 to 6 as a result of a review of the Capital Programme during November 2011

- Risk R2 – Personal hardship caused by poor processing of benefits – the risk score has increased from 4 to 8. A number of factors have contributed to this increase; increased demand as a result of the economic downturn, loss of permanent staff during Quarter 3 and ICT issues which have reduced the capacity to use temporary staff and created backlogs. However resources have been allocated to resolve short term issues.
- Risk R4- Opportunity to use alternative service delivery models to identify efficiencies and improvements – the risk score has reduced from 12, reflecting progress on shared service and outsourcing projects to date.

### **Finance & Governance – Legal Democratic & Regulatory**

- Risk R3 – Failure to achieve Lexcel accreditation – this risk is now complete as Lexcel accreditation was achieved In October 2011.

### **Housing & Regeneration – Housing Landlord**

- Risk M1 – Failure to have systems in place which exert effective financial control over contractors – the risk score has reduced from 8 to 4 as a result of a review and enhancement of contract monitoring arrangements.

### **Housing & Regeneration – Planning, Development & Regeneration**

The update for this area is currently awaited and will be circulated separately.

### **Performance, Improvement & Transformation – Neighbourhood Delivery**

Although the risk scores have not changed the risk comments box has been updated to reflect ongoing progress in the management of these risks.

### **Performance, Improvement & Transformation – Strategy & Transformation, Community & Organisation**

The update for this area is currently awaited and will be circulated separately.

6. Risk reporting via CorVu has been well received; in particular the use of the comments box gives an opportunity for greater understanding on the position at the end of each quarter.

## Appendix A1 1

## Appendix A1 2

## Appendix A1 3



## Appendix A1 4

## Appendix A1 5

## Appendix A2

## Appendix B1

## Appendix B2

## Appendix B3

## Appendix B4

## Appendix B5



## Appendix B6

## Appendix B7

## Appendix B8

## Appendix B9

## Appendix B10

## Appendix B1

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## Appendix B14

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## Appendix B19

## Appendix B20

## AGENDA ITEM: 7

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny</b>
<b>Date of meeting:</b>	<b>31<sup>st</sup> January 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Quarter 3 Performance Report</b> Performance, Improvement and Transformation Directorate
Contact:	Cllr Brian Ayling, Portfolio Holder for Service and Performance Improvement  Author/Responsible Officers: Janice Milsom – AD Strategy, Transformation, Community and Organisation Chris Gordon – Group Manager (Performance, Transformation and Projects) Dave Gill – Group Manager (Partnerships, Policy and Citizen Insight)
Purpose of report:	(1) To provide Members with the quarter 3 performance information for the Directorate.
Recommendations	1) That Members note the performance for quarter 3.
Corporate objectives:	Dacorum Delivers – Performance Excellence.
Implications:	<u>Financial</u>  None.
'Value For Money Implications'	<u>Value for Money</u>  Monitoring performance supports the Council in achieving Value for Money for its citizens.
Risk Implications	A Risk Assessment is completed for each service area as part of the annual service planning process and is reviewed quarterly.
Equalities Implications	An Equality Impact Assessment is completed for each service area as part of the annual service planning process and is reviewed quarterly.



Health And Safety Implications	None
Consultees:	<ul style="list-style-type: none"> <li>• Cllr Brian Ayling, Portfolio Holder for Performance and Service Improvement</li> <li>• CMT</li> </ul>
Background papers:	Attached: 1. Quarter 3 Performance Indicators report

## **1 Introduction**

Performance reports are produced quarterly from the Council's performance management system, CorVu. The service performance report for quarter 3 (October to December 2012), shows a summary of the performance information available for this part of the Performance, Improvement and Transformation directorate. Full reports are available on the CorVu Portal on the Council's Intranet. It should be noted that the data relates to the position as at 31<sup>st</sup> December 2011.

## **2 Accessing CorVu**

All Members can access, view and interrogate data in the CorVu Portal, via the Council's Intranet, using the laptop supplied to them by Member Services.

Using an individually owned pc, Members will be also be able to view the CorVu Portal, again via the Intranet, but will need to have this specifically enabled by ICT. The ICT Helpdesk can configure this individually for Members, via internet access, if requested. However, using an individually owned pc in this way will restrict access to pdf, static reports and archived reports on the Portal and it is not possible to interrogate live data.

## **3 Sickness Absence Figures**

It was requested at the 6<sup>th</sup> September meeting of the Committee, that the sickness absence figures be given as a figure per full time employee. The table below illustrates those figures for the last 3 quarters:

### 3.1 Sickness absence figures, by Directorate

Directorate	Sickness Absence – per fte – Quarter 1	Sickness Absence – per fte – Quarter 2	Sickness Absence – per fte – Quarter 3
Finance and Governance	1.47 days	1.48 days	1.67 days
Performance, Transformation and Improvement	2.09 days	2.73 days	2.41 days
Housing and Regeneration	2.12 days	2.25 days	2.57 days
Whole Council	1.79 days	2.22 days	2.45 days

### 3 Service Performance Report Q3 2011/12

The detailed service performance indicator report is annexed to this report.

### 4 Headline Information

#### 4.1 Performance Indicators:

Within the range of indicators collected there is one area where performance is outside of the usual tolerance levels:

#### Partnerships and Citizen Insight:

##### 4.1.1 Customer Services team (indicator no. CSU 04):

**CSU 04 – Percentage of calls answered in the Contact Centre within 20 seconds – target 70%.**

This remains a difficult target for the Customer Service Unit. The service has suffered from being understaffed for much of the year because it has been difficult to attract trained staff to this service and the length of time needed to fully train staff.

During the third quarter the introduction of the Housing re-registration scheme increased the numbers of people using the self service computer terminals in the Customer Service Centre. Many customers needed assistance with this process from our Customer Support Officer (our 'queue buster') who was then not available to deal with the simpler transactions. This resulted in longer queues in the Customer Service Centre and fewer staff available to deal with calls in the contact centre. Both indicators CSU01 and 04 were adversely affected by this.

## **5 Key Service Achievements**

### **5.1 Hemel Hempstead Customer Service Unit - Call Back Service**

During December the call centre implemented a 'call back' service to try to reduce the number of callers waiting longer than 20 seconds. The results of this have been sporadic, being slightly better on some days and worse on others. Over time the number of call backs has decreased and this is largely due to the competency of the CSRs improving as they undertake their training. The Call back trial has been extended until the end of January so that there is a long enough period available for meaningful data to be collected.

### **5.2 Hemel Hempstead Customer Service Unit – Improvement Programme**

The improvement suggestions made in the staff review are being implemented as quickly as possible and new working methods are being trialled to improve performance. So far there have been changes to the 'call waiting' messaging, improvements in Housekeeping and a significant change to the ICT hardware which improves functionality and reliability. Further improvements are planned in recruitment and training, communications, and avoidable contact across the Council. The aim remains to understand our customers better with the result being improved services to our customers.

### **5.3 Environmental 'Planeteers'**

Following an environmental survey in the summer calling for volunteers, in November a network of over 30 environmental champions from across the Council was set up. Their role is to help to raise environmental awareness throughout the organisation and help to inform everyone how they can play a part in reducing the impacts the Council has on the environment. Following their first meeting they took a vote on the name for the group and they chose 'Planeteers'. No specific environmental knowledge is assumed, just enthusiasm. They will be given training and support over the coming months and will then start to play a more active role in their own service areas. The valuable contribution that the Planeteers efforts could make to the improvement of the environmental performance of the Council has been recognised and it has been agreed that they can undertake 'champion' work during their normal working week, with agreement from their Manager.

Appendix p1

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**Agenda Item 8**

**Quarter 3 Performance Report, Legal, Democratic & Regulatory**

Report to follow.

## AGENDA ITEM: 9

### SUMMARY

<b>Report for:</b>	<b>Finance &amp; Resources Overview &amp; Scrutiny</b>
<b>Date of meeting:</b>	<b>31 January 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Quarter 3 Finance &amp; Resources Performance Report</b>
Contact:	Nick Tiley, Portfolio Holder for Finance & Resources  Author/Responsible Officer: Shane Flynn, Assistant Director (Finance & Resources)
Purpose of report:	To provide the Committee with analysis of performance of services and functions provided by Finance & Resources to 31 December 2011
Recommendations	That the Committee notes the contents of the report and the performance of Finance & Resources to the end of Quarter 3, 2011/12.
Corporate objectives:	The provision of effective financial services and the allocation of resources such as building assets and facilities management support all five of the Council's corporate objectives, with particular reference to the <i>Dacorum Delivers (internal operations)</i> and, through the Revenues, Benefits and Fraud division, <i>Building Community Capacity</i> .
Implications:	<u>Financial</u>
'Value For Money Implications'	<p>Actions to address the growing workload in Revenues and Benefits may result in short term resource requirements in the region of £20,000. These pressures can be met from in-year underspends on existing budgets within Finance and Resources.</p> <p><u>Value for Money</u></p> <p>There are no specific value for money implications in the report. Following a Cabinet decision in December 2011, The Facilities Management service within the Commercial Assets &amp; Property Development division is currently subject to market testing. A final decision will be made in the light of detailed scrutiny of the business case at Cabinet on 27 March 2012.</p>
Risk Implications	A Risk Assessment is completed for each service area as part of the annual service planning process and is reviewed quarterly.



Equalities Implications	An Equality Impact Assessment is completed for each service area as part of the annual service planning process and is reviewed quarterly.
Health And Safety Implications	There are no health and safety implications
Consultees:	Group Manager (Commerical Assets & Property Development) Group Manager (Financial Services) Group Manager (Revenues, Benefits & Fraud)
Background papers:	Finance & Resources Service Plan 2011/12

## 1. Introduction

- 1.1. Performance reports are produced quarterly from the Council's performance management system, CorVu. The service performance report for quarter 3 (October to December 2011), shows a summary of the performance information available for Finance & Resources. Full reports are available on the CorVu Portal on the Council's Intranet. The data relates to the position as at 31st December 2011.
- 1.2. Detailed performance indicators and commentary on progress against agreed targets and against previous periods are annexed. Significant variations from performance are considered below along with progress updates on key initiatives within the sub-directorate.

## 2. Commercial Assets and Property Development

- 2.1. Commercial Assets has one indicator showing red against the agreed target:

**CP02 – Percentage arrears on commercial property rents** (14.05% against a target of 9.5%).

- 2.2. The economic downturn has created pressures for local businesses. Those that occupy premises let by the Council are no exception to this. Also, during 2011/12 the Estates Management service has been taking all opportunities provided by rent reviews and changes of tenant to place rents on a commercial basis, as required by the Council under its fees and charges policy. Both of these general factors are likely to result in increased levels of arrears. It should be noted, however, that there has been no overall decline in occupation rates, which remain very high.
- 2.3. More specifically, arrears rates tend to be high in the last part of the third quarter due to December billing dates and delays in making payments in the post-Christmas period. We should see an improvement in the fourth quarter, therefore.
- 2.4. The Commercial Assets and Property Development division remains one of the areas within the Council that has yet to complete Phase 2 of the Reorganisation programme. This is due to revised approaches towards an appropriate structure for this set of activities. The reorganisation is designed

to create a stronger focus on delivery. Actions that have been completed to date include:

- appointment of a Team Leader for building services
- decision to advertise the post of Team Leader for Estates Management
- decision to retain the status quo for parking services
- Cabinet decision to transfer Facilities Management to Serco, subject to agreement of the detailed business case
- reduction of Cemeteries Team by one long-standing member of staff which has provided an opportunity to explore flexible working arrangements.

2.5. During this quarter the division has also:

- been closely involved in many of the major corporate projects, such as the Public Service Quarter initiative and development of the old Town and Old Town Hall
- developed plans for a number of internal office moves, that are designed, if possible, to result in all three divisions of Finance & Resources being brought together within the Civic Centre
- retained ParkMark accreditation in Moor End and Water Gardens South and is expected to achieve accreditation in Gadebridge Lane, The Nap and Langley Hill car parks.

### 3. Financial Services

3.1. There is one indicator within the Financial Services area that is showing red against the agreed target:

**ACC01 - Percentage of creditor trade invoices paid within 30 days**  
(79.3% against a target of 95.0%)

3.2. While the below-target performance is to some extent due to seasonal factors, a detailed report on developments in Financial Services was presented to the Committee on 22 November 2011 explained that there were more deep-seated factors affecting this indicator. Accordingly, a process of reforming the Council's approach to paying short-term creditors is being implemented within all directorates. Enforcement of a stricter protocol for raising purchase orders, receipting goods and raising invoices should resolve this issue in 2012/13.

3.3. Otherwise, the main focus of Financial Services in the third quarter has been embedding the new team structures and developing a series of approaches that are designed to strengthen budgetary control and financial management across the Council and to improve reporting to officers and Members.

3.4. Two notable achievements were recorded between September and December 2011:

- Audited accounts without qualification or material misstatement for the first time in at least five years
- Completion of the base data return for the Housing stock, on which all calculations for Housing subsidy (and now Self Financing) are made without qualification by auditors for the first time.

3.5. These developments and a number of other points of progress have led to the team being shortlisted for Finance Team of the Year at the Local Government Chronicle awards 2011.

#### 4. Revenues, Benefits & Fraud

4.1. The Benefits service had been subject to increasing pressure due to the economic downturn. As at March 2011 the live caseload stood at 10,824 which was the highest on record. This represented a 1.8% increase compared with March 2010 (10,635) and a 13.4% increase compared with March 2009 (9542). By August, the caseload had increased to 11,015 current recipients of Housing Benefit or Council Tax Benefit. This is the first time that the number of households we are helping has risen above 11,000. Out of this total, we help about 9,200 households with their rent, and about 10,000 with Council Tax.

4.2. This dramatic increase in workload has been exacerbated by the introduction of the ATLAS direct reporting system, by which changes in tax credits are automatically fed into the Northgate benefits system. This ensures that more changes are identified and are automatically processed but manual adjustments have to be made to related benefits, which has added a layer of processing.

4.3. As a result of these pressures and other factors, such as high levels of maternity leave and the loss of two permanent staff members, processing backlogs have increased. Benefits officers undertook a campaign to reduce these during the last quarter, with a resulting impact on processing times for new claims. The following indicators are consequently showing red:

- **RBF 01 - Average time taken to decide a new claim for Housing Benefit or Council Tax Benefit** (25.6 days against a target of 20.5 days)
- **RBF 02 - Average time taken to decide a change event for Housing Benefit or Council Tax Benefit** (19.8 days against a target of 14.0 days)

4.4. An action plan for addressing the continuing backlog has been implemented with the aim of clearing accounts in time for the annual billing processes in February. However, this is dependent on the availability of external resources, which are scarce, and the robustness of IT systems to provide access. The latter has been an issue in recent months which is being addressed by IT consultants.

4.5. In November 2011 a new Group Manager for the division, Nicola Ellis, was appointed. The new manager is developing existing and new initiatives to improve revenues and benefits performance including:

- Improvements to NNDR Recovery – Looking at ways of improving capacity, reporting and resources available to target NNDR, with a member of Revenues working on NNDR recovery one day a week in the short term
  - Auddis and Addacs, which will simplify direct debit processes – Due to be implemented by 22/01/11
  - Introduction of the Gandlake system which will enable joint billing and benefit notification letters, thus saving considerable time and money
  - Joint working, through discussion with Chiltern DC on proposals for the appointment of a joint training officer, and exploration of potential joint working within Revenues with Watford and Three Rivers
- 4.6. Counter fraud activities are continuing positively including targeted work on Blue Badges, the implementation of the Council's scheme for publicising information about fraudsters and increased corporate counter-fraud work in partnership with Internal Audit. Work outstanding has reduced to 51 unallocated allegations. A further 100+ cases are awaiting risk assessment from Housing Benefit and National Fraud Initiative (NFI) matches.
- 4.7. A full report on Revenues, Benefits and Fraud will be scheduled for the next meeting of the Committee.

## Appendix p1

## Appendix p2

## Appendix p3

## AGENDA ITEM: 10

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny</b>
<b>Date of meeting:</b>	<b>31<sup>st</sup> January 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Shared and Outsourced Services Update</b>
Contact:	Brian Ayling, Portfolio Holder for Performance Improvement and Transformation  Chris Gordon, Group Manager Performance, Transformation and Projects
Purpose of report:	To Brief Members of the Committee on the progress of Shared and Out Sourced Services Project.
Recommendations	Members note the progress made on the Shared and Out Sourced Services project to date.
Corporate objectives:	Supporting Dacorum Delivers, the Council's Strategic Change Programme
Implications:	<u>Financial</u>  None from this report
'Value For Money Implications'	<u>Value for Money</u>  None from this report
Risk Implications	None from this report. The Shared and Outsourced Services Programme has a separate Risk Register.
Equalities Implications	Equality Impact Assessment carried out. A headline Equality Impact assessment for the whole Shared and Outsourced Services Programme.
Health And Safety Implications	None
Consultees:	Louise Miller, Director of Performance, Improvement and Transformation.



Background papers:	<p>Cabinet Paper 25<sup>th</sup> May 2011 Shared and Outsourced Services Project and Annexes (not attached but available on the Council's website: <a href="http://www.dacorum.gov.uk">www.dacorum.gov.uk</a>)</p> <p>Cabinet Paper 28<sup>th</sup> June Transfer of Occupational Health to SERCO and Annex (not attached available on the Council Website: <a href="http://www.dacorum.gov.uk">www.dacorum.gov.uk</a>)</p> <p>Finance and Resources Overview &amp; Scrutiny Report 6<sup>th</sup> September Shared and Outsourced Services update (Cloud Computing update)</p>
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## **BACKGROUND**

The last time this committee was updated on the Shared and Outsourced Services Project progress was reported on the Occupational Health and Facilities Management Services. For both these services the Council has been working with Serco using the Hertfordshire County Council Framework. In addition this committee was updated that the Council have been investigating partnership opportunities for other services including ICT, HR and Revenues and Benefits.

## **PROGRESS TO DATE**

### **Occupational Health**

The Council has agreed with Serco for the provision of it's Occupational Health Service. This agreement is in replacement for the previous agreement with Hertfordshire County Council.

### **Facilities Management**

A business case from Serco was presented to Cabinet on the 13<sup>th</sup> December 2012 for the provision of Facilities Management Services. This business case showed that if Serco provided the service the Council could potentially benefit from an average cost saving of £110,000 per annum over the life of the contract.

Staff are currently being consulted with on the proposal from Serco. Following the consultation a report is going to Cabinet in March 2012 for a decision on the proposal.

### **Customer Service Unit**

Progress towards market testing of the CSU has started with the production of a specification document for the tendering of the service. The specification will include:

- the Call Centre;
- Face to Face and Reception;
- The Website; and
- Customer Relationship Management system.

The specification is broken into the four areas above to enable the Council to clearly see the benefit that an external provider could have on each area. By starting this market test the Council will be able to see if there will be any quality and efficiency gains by providing all or any bit of the service in another way.

## **ICT**

The Council has started to work with Aylesbury Vale District Council (AVDC) in ICT. This is following a recent review of the Councils ICT department. AVDC are offering mentoring support to DBC ICT team to help reduce the number of outstanding help desk calls as well as to increase ICT project delivery. This is short term gap while we continue to review the longer-term options which include working partnership with another local authority such as AVDC or to invest in the service. Officers are due to report to Cabinet in April 2012 on the long term options for ICT.

Agenda Item 11 – Hemel Hempstead Town Centre Market Report

Report to follow

## AGENDA ITEM: 12

### SUMMARY

<b>Report for:</b>	<b>Finance &amp; Resources Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>31 January 2012</b>
<b>PART:</b>	<b>1</b>
If Part II, reason:	

<b>Title of report:</b>	<b>Capital Strategy 2011-2016</b>
Contact:	Cllr Nick Tiley, Portfolio Holder for Finance & Resources Shane Flynn, Assistant Director (Finance & Resources)
Purpose of report:	To provide an update on implementation of the revised Capital Strategy for 2011/12 to 2015/16
Recommendations	That the Committee receives the report.
Corporate objectives:	The strategy supports all five of Dacorum's key objectives but has particular reference to Dacorum Delivers and the efficiency, value for money and reputation aims.
Implications: 'Value For Money Implications'	<p><u>Financial</u> The Capital Strategy will provide the framework to enable future capital investment decisions to be made and the capital programme to be developed and approved.</p> <p>Financial analysis included in the report indicates that the balance of useable capital receipts will fall to £1.191m by the completion of the current programme in 2011/16. In these circumstances, where resources are diminishing, it is essential to ensure that all capital investment decisions are rigorously assessed and that they support clearly the Council's objectives. It is also necessary to ensure that proposals can be compared so that those that bring the greatest benefit are given higher priority. The changes proposed in the report will help to ensure that these criteria are applied.</p> <p><u>Value for Money</u></p> <p>Sponsors of all capital projects provide the Capital Strategy Steering Group with value for money assessment as part of the application process for capital funds. The changes proposed in the report will help to ensure that all capital expenditure support the Council's objectives and that approved projects provide the most efficient and effective means of achieving those aims.</p>

Risk Implications	<p>The Capital Strategy provides the framework for capital investment decisions and the management of the approved programme. This framework provides a mechanism to support the management of risk when making and delivering capital investment decisions.</p> <p>Each investment proposal requires a separate risk assessment to be undertaken before the proposal is approved by Capital Strategy Steering Group and Cabinet. The aggregate risks to the council of the failure to draft and implement the strategy are that:</p> <ul style="list-style-type: none"> <li>• Capital resources will not be properly deployed and will be committed to programmes that are not delivered effectively, thus reducing the capacity of the Council, damaging the reputation of the authority, and reducing funding available for investment.</li> <li>• Without an effective programme to manage expenditure and capital income streams, total capital resources will diminish to a point where the Council has insufficient resources to maintain its asset base.</li> </ul> <p>The Capital Strategy itself and the proposals in the report are designed to reduce these risks.</p>
Equalities Implications	<p>Equality Impact Assessments will be carried out by individual services in the preparation of their service planning and budget proposals.</p>
Health And Safety Implications	<p>The report contains a caveat that works that are required urgently to prevent structures becoming dangerous or to deal with other potential or real hazards will fall outside of the proposed process set out in the report.</p>
Consultees:	<p>Cabinet  Corporate Management Team  Group Managers  Capital Strategy Steering Group members</p>
Background papers:	<p>Capital Strategy 2008/09- 2011/12</p>

## **1. Background**

- 1.1. The Capital Strategy is a key Financial Strategy which provides a framework for the Council's capital investment decisions. It also prescribes the mechanism for the management, review and delivery of the capital programme.
- 1.2. The Capital Strategy is a corporate strategy that is linked to the Council's corporate objectives and Medium Term Financial Plan (MTFP). It is also linked to the Asset Management Plan and is consistent with the Council's housing policies and programmes which are covered in the Housing Strategy and HRA business plan.
- 1.3. The Capital Strategy together with the MTFP will be key to the development and review of the Capital Programme as part of the Service and Budget Planning process.
- 1.4. The Council's previous Capital Strategy was adopted in 2008/09. On 24 May 2011 Cabinet approved a revised strategy for the period 2011/12 to 2015/16, which is designed to:
  - Align the strategy with the corporate objectives developed in October 2010
  - Address the continuing decline in capital resources which are otherwise due to be fully expended by 2015/16
  - Enable the council to make more effective decisions over which activities to support with capital funding
  - Reduce slippage on the capital programme.
- 1.5. On 5 July 2011 the Finance and Resources Overview and Scrutiny Committee considered the revised strategy in detail and requested a progress report on implementation following the budget development process in autumn 2011. Since that date a number of actions have been taken which are set out in the remainder of the report.

## **2. Progress to date**

- 2.1. Guidance was provided for all staff intending, or likely, to submit requests for capital proposals between September 2011 and September 2012 for the five year period commencing April 2012 on 27 July 2011. The revised proforma for submitting bids was introduced within the strategy itself and is available on the intranet. All bids now use this proforma which is designed to:
  - Establish a clear link between the project and the Council's strategic objectives
  - Define the rationale for the project and the risks that it is designed to address

- Ensure that it forms part of agreed project methodologies
  - Ensure that all capital and revenue financial implications are taken into account.
- 2.2. Meetings of the Capital Strategy Steering Group were held on 10 and 17 November to review all bids submitted. The cumulative value of these bids was less than the available capital resources to fund the programme for 2012/13 – 2016/17. Therefore no ‘rationing’ was required and:
- all bids were acceptable subject to their meeting the relevant criteria.
  - one bid was rejected on the grounds that it did not meet the relevant criteria
  - CSSG required further information on all proposals, with one exception.
- 2.3. The existing programme was reviewed and all items that have been included in the programme for two financial years without been progressed were revisited to ensure their relevance and conformity to the revised strategy. This exercise resulted in minor deletions from the programme. All other proposals were rescheduled to ensure that the proposals will be brought forward in a timely manner.
- 2.4. The programme was summarised and recast to show subjective areas of spend. The latest draft is provided at Appendix A. This is subject to finalisation during the remaining stages of the budget-setting process for 2012/13. However, no new bids will be considered for inclusion in the programme until September 2012, unless they:
- address an emergency or health and safety issue
  - generate more capital receipts than the expenditure required
  - are funded by external sources that have an expenditure time limit.
- 2.5. A ‘Six-sigma’ review of the capital procurement process was completed. A summary of the findings is attached at Appendix B for information. In summary the review highlighted three key areas for further action.
- Project management approaches need to be strengthened and all projects to be included in the programme should be subject to the IDP process
  - Arrangements for funding projects should be separated from programming for project management purposes
  - The procurement aspects of capital projects need to be mapped and understood alongside the approval process

- 2.6. New protocols for reporting progress on capital spending have been agreed within Finance which will ensure that Group Accountants act as the first point of contact on both revenue and capital matters for each directorate. CSSG submission forms will be routed through Group Accountants, rather than being presented direct to CSSG, as at present.

### **3. Further actions**

- 3.1. The issue of slippage on capital projects remains a problem that needs to be addressed as it has significant impact on delivery of Council business and on available resources for investment. A full report on the current programme will be reported to the Audit Committee, under delegated powers, as part of the 2011/12 final accounts progress. In the meantime, the following actions are required:
- Complete review of the capital programme to separate funding from project programming functions
  - Complete mapping of procurement aspects of capital projects to identify areas for potential system improvements
  - Advise all staff of the changes in protocol for submitting Capital Bids and provide further training and guidance on the submission process
  - Bring all projects into the IDP process (or other project management processes that may be developed)
  - Strengthen the focus of CSSG on capital programme monitoring.
- 3.2. Completion of these actions are designed to ensure that the capital programme meets the needs of the Council more effectively and that future capital resources are allocated in accordance with the revised capital strategy. The Committee's comments will be taken into account in developing an action plan for implementing these remaining stages.



## **Draft Capital Programme 2012/13 to 2016/17**

- 1 The attached summary of the draft capital programme indicates the level of capital resources that are expected to be available to the Authority over the five year planning period and itemises the planned areas of expenditure. The summary is designed to show the main areas of planned spending by type of activity and the sources of income.
- 2 A major review of capital spending was undertaken during 2011/12 which has resulted in a re-assessment of capital spending needs over the five year period and a re-phasing of significant elements of the programme. Therefore, the summary also reflects anticipated re-phasing of expenditure originally planned for 2011/12 into 2012/13.
- 3 The detailed programme is being finalised and will be presented as part of the completion of budget preparation papers.

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<u>CAPITAL PROGRAMME - 2011/12 to 2016/17</u>		TOTAL	2011/12	2011/12 Revised	2012/13	2013/14	2014/15	2015/16	2016/17
		£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£' 000	£'000
<b>Capital Resources :</b>									
40	Capital Receipts Available	<b>26,617</b>	26,617	26,617	22,748	13,011	9,074	6,187	2,848
41	Capital Receipts received in year	<b>3,850</b>	800	1,350	500	500	500	500	500
30	MRR	<b>8,574</b>	8,200	8,574	0	0	0	0	0
31	HRA Self Financing	<b>41,000</b>	0	0	8,200	8,200	8,200	8,200	8,200
33	Growth Area Funding	<b>5,587</b>	5,355	688	4,899	0	0	0	0
34	Government Grants and other contributions	<b>4,693</b>	1,218	735	2,770	297	297	297	297
35	Revenue contribution to Capital	<b>3,420</b>	2,820	2,478	392	100	150	150	150
<b>Forecast resource availability</b>		<b>93,740</b>	<b>45,011</b>	<b>40,441</b>	<b>39,509</b>	<b>22,108</b>	<b>18,221</b>	<b>15,334</b>	<b>11,995</b>

## Capital Spend :

### Housing

1	Major Works Programme	<b>50,731</b>	9,300	9,731	8,200	8,200	8,200	8,200	8,200
2	Affordable/Enabling Housing Schemes	<b>6,159</b>	4,535	1,635	4,524	0	0	0	0
<b>Housing Expenditure Total</b>		<b>56,890</b>	<b>13,835</b>	<b>11,366</b>	<b>12,724</b>	<b>8,200</b>	<b>8,200</b>	<b>8,200</b>	<b>8,200</b>

### Other projects (GRF)

3	ICT Projects (Inc Rolling Programme)	<b>2,234</b>	668	437	702	280	275	275	265
4	Transportation (Roads, Bridges & Parking)	<b>1,729</b>	570	349	450	120	120	120	570
5	Cemeteries	<b>1,273</b>	5	10	16	1,022	225	0	0

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6	Commercial Property	<b>1,360</b>	794	823	212	170	105	50	0
7	Public Conveniences	<b>200</b>	386	0	200	0	0	0	0
8	Civic Buildings	<b>924</b>	461	56	868	0	0	0	0
9	Sport & Recreation	<b>1,471</b>	1,040	202	920	181	38	50	80
18	Properties occupied by Sportspace	<b>1,934</b>	955	947	733	39	25	0	190
10	Community Buildings	<b>1,196</b>	90	46	327	135	65	520	103
11	Regeneration	<b>6,614</b>	2,590	153	2,960	210	848	2,443	0
12	Property Acquisition	<b>1,300</b>	1,000	800	500	0	0	0	0
13	Waste collection/ recycling	<b>231</b>	74	74	77	20	20	20	20
14	Vehicle & Plant Purchases	<b>6,810</b>	2,506	1,364	2,346	1,785	1,265	25	25
15	Other	<b>2,616</b>	223	203	2,245	100	70	0	0
	<b>Other projects Expenditure Total</b>	<b>29,892</b>	<b>11,362</b>	<b>5,463</b>	<b>12,556</b>	<b>4,062</b>	<b>3,056</b>	<b>3,503</b>	<b>1,253</b>
	<b>Expenditure for capital purposes on grants</b>								
16	Grants to Voluntary Sector	<b>318</b>	156	126	112	20	20	20	20
17	Regulatory Services (DFG, Home Improvement etc.)	<b>4,881</b>	1,091	738	1,106	753	758	763	763
	<b>Expenditure for capital purposes on Grants Total</b>	<b>5,199</b>	<b>1,247</b>	<b>864</b>	<b>1,218</b>	<b>773</b>	<b>778</b>	<b>783</b>	<b>783</b>
<b>Forecast capital spend (whole programme)</b>		<b>91,981</b>	<b>26,444</b>	<b>17,693</b>	<b>26,498</b>	<b>13,035</b>	<b>12,034</b>	<b>12,486</b>	<b>10,236</b>
	<b>Uncommitted Balance as at 31st March (General Fund)</b>	<b>1,759</b>	<b>18,567</b>	<b>22,748</b>	<b>13,011</b>	<b>9,074</b>	<b>6,187</b>	<b>2,848</b>	<b>1,759</b>
	<b>Uncommitted Balance as at 31st March (HRA)</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>	<b>8,114</b>

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## Capital Programme – Lean Six Sigma Improvement Project

### **Project Background**

For some time, the timescales for key projects specified within the Council's capital programme have slipped, meaning that the programme as a whole is not delivered on time. This has been recognised as a problem, as 30% of resources devoted to capital projects each year are not being spent. Delivery of the capital programme needs to be improved so that resources are not tied up in projects that are not going forward and which could otherwise be applied to alternative projects. Failure to deliver agreed programmes of work has a negative impact on delivery of the Council's objectives, damages its reputation and reduces its capacity to commission and deliver services.

In an attempt to improve delivery of the capital programme, a Lean Six Sigma project was initiated, which aimed to examine the processes in place to secure capital funds for projects, from the bidding stage, through approval and allocation of capital funds. The project also aimed to identify the reasons why many of the projects were failing to be delivered within the specified timescales, in an effort to inform recommendations for improvements.

### **Process**

A project team was constructed to undertake the Lean Six Sigma review of the capital programme process. The project team met on a monthly basis to monitor progress of the project, and in addition to this, regular meetings were held with the project lead officer (the champion) and with other team members as required on an ad hoc basis.

As specified within Lean Six Sigma methodology, an initial step in the initiation of this project was the creation of an improvement charter, specifying the project problem statement, goal statement, scope of the project, the critical to quality requirements (CTQ's) of our customers and stakeholders, roles and responsibilities of team members and high level timescales. A high level process map (SIPOC diagram) was also developed.

To gain a greater understanding of the process, a series of meetings was held with the officer responsible for managing the capital programme, to develop a detailed process map of the process. A brain storming session was also held in order to identify potential root causes for non-delivery of the programme.

This process map was then analysed to identify areas of non-value or 'waste'. This exercise, along with consideration of the potential root causes, uncovered a number of questions, such as:

- How long ago had the projects received approval, i.e. and slipped year-on-year?
- How many of the projects within the programme received approval through the prescribed annual process, and how many were approved on an 'ad hoc' basis?
- How much of an issue is the procurement process in delivery of the programme?

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- The process map described the process capital bids should go through to gain approval for the capital programme, but was this process always prescribed to?

In order to investigate these questions further, an exercise was undertaken to identify when projects within the capital programme were approved, and also whether this was obtained through the annual process or on an ad hoc basis. Interviews were also held with individual project managers of projects that had slipped, to gain an understanding of the reasons for the slippage, and also to determine whether the prescribed capital programme approval process was adhered to.

### Findings

The exercise revealed a number of projects had been sitting within the programme for a number of years, some as early as 2006/07, and therefore have slipped year-on-year a number of times.

A sample of these projects were selected for further investigation, in order to identify the process each followed once a capital bid had been raised, and the reasons for the slippage. These included:

- Car park refurbishment programme
- Hemel Hempstead Station Gateway
- Implementation of a document management system
- Purchase of fleet vehicles

Interviews were held with the accountable officers of each of these projects, which aimed to establish the methods in which projects were planned, managed and resourced, and whether the Council's Capital Strategy was referred to in order to aid this.

The table below summarises the projects, the original dates the projects were due to be completed and the reasons, as reported by the accountable officers when interviewed, for the projects slipping:

#### Findings from Interviews with Project Accountable Officers

Project	Original completion date	Reasons for slippage – interviewee responses
Car Park Refurbishment Programme	2010/11	This programme slipped due to resource issues within the service, there are simply not enough building surveyors, and they are also affected by both internal and external reactive issues. Once approval has been achieved for a capital project, the work is added to the surveyors work programme – which is essentially a in the form of a list. Programme management to identify when the work is likely to take place, and therefore when the funds are actually likely to be required needs strengthening – the work is

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		added to the next year in the capital programme. This could be improved with greater programme management of the surveyors' work programmes.
Hemel Station Gateway	2010/11	All Growth Area projects are funded in different ways, and the Gateway project was more complicated as there was revenue as well as capital funding. A lot of pre-work, including a 12 month feasibility study also had to be undertaken before the capital funds would be needed. However, this was not accounted for in capital programming – the bid was made and funds added to year one of the programme. The process for external/ section 106 money is also very complicated. Approval is needed at the bidding stage, then by Cabinet, and then when you want to actually spend the money you have to go back to CSSG for further approval. Delays in procurement are also a big issue.
Purchase of Fleet Vehicles	Rolling Programme	There was some slippage, but this has been a consequence of the transitional arrangements when moving from leased to purchasing vehicles.
Implementation of Document Management System	2007/08	This project has slipped every year for the past five years – it was originally initiated by a consultant who was commissioned to implement Anite, an electronic document and records management system (EDRMS). This followed a report by Socitim, in which implementation of EDRMS was recommended as part of a wider ICT improvement plan. However, project plans were not developed to give sufficient consideration to spend, resources, expectations, timescales or benefit realisation.

### Conclusion

These findings suggest varying reasons, such as lack of resources for the car park refurbishment programme, the pre-work required for Hemel Station Gateway and the reliance on an external consultant for implementation of EDRMS, but all have a common factor in that each of the projects that slipped would have benefitted from stronger project or programme management. The purchase of fleet vehicles was slightly different in that it is a rolling programme, that requires revision following the decision to move from leased to purchased vehicles. However, this also highlights that forward planning of the five year programme for the capital purchase of fleet vehicles must be introduced.

To improve the delivery performance of the capital programme, therefore, the following recommendations have been made. Implementation of these

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recommendations will ensure accountable officers, at the capital project bidding stage, include project/ programme plans detailing when work is likely to take place, and that resource requirements and pre-work etc have been taken into account.

### Recommendations

- Review and rationalise current capital programme.
- An annual review of fleet vehicles is undertaken to inform the capital spend requirements of the following year.
- Capital programmes to be managed through IDP, with the requirement of clear project/ programme plans to be in place before approval for capital funds are awarded.
- Amend the capital programme approval process to include a process step reflecting the requirement for all capital programmes to be managed and governed through IDP.
- Complete the Six Sigma review by further analysis of the procurement processes involved in capital projects.

### **13. EXCLUSION OF PUBLIC**

To consider passing a resolution in the following terms:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the item in Part II of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that if members of the public were present during this item there would be disclosure to them of exempt information relating to: Sensitive information regarding Watford Borough Council & Three Rivers District Council



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### FINANCE AND RESOURCES Overview & Scrutiny Committees: Work Programmes 2011/12

Date:	Report Deadline	Items:	Type:	Contact details:	Background information
23 February 2012	13 February 2012	Equalities Consultation	Sc	J Milsom, Assistant Director Strategy & Transformation, Community & Organisation.	

### FINANCE AND RESOURCES: Overview & Scrutiny Committees: Work Programmes 2012/13

Date:	Report Deadline	Items:	Type:	Contact details:	Background information
12 June 2012	29 May 2012	Quarter 4 Performance Reports	PM	S Baker, Assistant Director – Legal, Democratic & Regulatory Services J Milsom, Assistant Director Strategy & Transformation, Community & Organisation. S Flynn, Assistant Director, Finance & Resources	
		Risk Management Update	PM	L Dargue, Insurance and Risk Manager	
3 July 2012	21 June 2012				
4 September 2012	22 August 2012	Quarter 1 Performance Reports	PM	S Baker, Assistant Director – Legal, Democratic & Regulatory Services J Milsom, Assistant Director Strategy & Transformation, Community & Organisation. S Flynn, Assistant Director, Finance &	

				Resources	
<b>2 October 2012</b>	<b>20 September 2012</b>				
<b>30 October 2012</b>	<b>18 October 2012</b>	Quarter 2 Performance Reports	PM	S Baker, Assistant Director – Legal, Democratic & Regulatory Services J Milsom, Assistant Director Strategy & Transformation, Community & Organisation. S Flynn, Assistant Director, Finance & Resources	
		Risk Management Updates	PM	L Dargue, Insurance and Risk Manager	
<b>13 December 2012</b> Joint OSC meeting	<b>3 December 2012</b>	Budget 2013-2014  <b><i>NO FURTHER ITEMS TO BE ADDED</i></b>	Sc	S Marshall, Corporate Director Finance & Governance	
<b>30 January 2013</b>	<b>18 January 2013</b>				
<b>5 February 2013</b> Joint OSC meeting	<b>24 January 2013</b>	Budget 2013-2014  <b><i>NO FURTHER ITEMS TO BE ADDED</i></b>	Sc	S Marshall, Corporate Director Finance & Governance	
<b>5 March 2013</b>	<b>21 February 2013</b>	Quarter 3 Performance Reports	PM	S Baker, Assistant Director – Legal, Democratic & Regulatory Services J Milsom, Assistant Director Strategy & Transformation, Community & Organisation. S Flynn, Assistant Director, Finance & Resources	

**PM- Performance management    PD- Policy Development    Sc- Scrutiny**