



## FINANCE & RESOURCES OVERVIEW AND SCRUTINY COMMITTEE AGENDA

*Scrutiny making a positive difference: Member led and independent, Overview & Scrutiny Committees promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.*

### FINANCE & RESOURCES OVERVIEW AND SCRUTINY COMMITTEE AGENDA

**TUESDAY 04 MARCH 2014 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.

Adeleke	N Hollinghurst
Ayling	Marshall
Clark	Organ
B Chapman (Chairman)	Taylor
Collins	Townsend (Vice-Chairman)
Doole	W Wyatt-Lowe

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

For further information, please contact Clare Thorley on Tel: 01442 228226, e-mail: [clare.thorley@dacorum.gov.uk](mailto:clare.thorley@dacorum.gov.uk). Information about the Council is also to be found on our web-site: [www.dacorum.gov.uk](http://www.dacorum.gov.uk)

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**1. MINUTES**

To confirm the minutes of 07<sup>th</sup> January and 5<sup>th</sup> February 2014.

**2. APOLOGIES FOR ABSENCE**

To receive any apologies for absence

**3. DECLARATIONS OF INTEREST**

A member with a disclosable pecuniary interest or a prejudicial interest in a matter, who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and

(ii) may not participate in any discussion or vote on the matter and must withdraw to the public seating area.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests or the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interest are defined in Part 2 of the Members' Code of Conduct.

**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**

**Item 6 – Action points from previous meeting**

**AGENDA ITEM: 7**

**SUMMARY**

<b>Report for:</b>	<b>Finance and Resource Overview &amp; Scrutiny</b>
<b>Date of meeting:</b>	<b>04<sup>th</sup> March 2014</b>
<b>PART:</b>	<b>1</b>

<b>Title of report:</b>	<b>Risk Management Report Quarter 3 2013/14</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 2. To provide the Quarter 3 update on the Operational Risk Registers
Recommendations	1 That the content of this 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 2012/13 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	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	CMT
Background papers:	Risk Management working paper files Report to CMT 18 February 2014
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	Not applicable
Glossary of acronyms and any other abbreviations used in this report:	

## BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q3 2013/14 is attached at Appendix A for ease of reference. The table below provides a comparison of the risk scores from the previous quarter.

Risk	Q1 13/14	Q2 13/14
F1 –Resource base affected by slow recovery from recession resulting in lack of funds to deliver in commitments and policies	4	4
F2 – Lack of effective procurement and contract management	6	6
F3 – Failure to achieve identified savings to ensure that the budget remains balanced	4	4
F4 – Funding agreement with the Homes and Communities Agency is insufficient to cover the entire cost of the Highbarns chalk mine treatment works	8	Completed
<b>F5 – Risk of extensive damage to property arising from adverse weather conditions and/or unstable ground within the Dacorum area</b>	-	<b>9</b>

I2 – Failure to effectively manage health and safety	4	4
M1 – Failure to deliver required regeneration and economic growth	9	9
M2 – Failure to shape services based on robust understanding of customers’ needs	4	4
R1 – Failure to align political aspirations for service delivery with budget pressures	3	3
R2 – Failure to respond to the opportunities presented by the Localism Bill	8	Completed

- Two risks have been completed as shown above; these will now be removed from the Strategic Risk Register. An additional risk has been added in recognition of the potential for further weather related problems.
- The following table shows those operational risks where the risk score has changed since Quarter 2.

<b>Risk</b>	<b>Resp Off</b>	<b>Q2 13/14</b>	<b>Q3 13/14</b>
PP_R02 - Failure to develop a range of initiatives To contribute to the Council’s improvements & efficiencies agenda	SF	12	9
PP_R04 – Lack of capacity & financial resources services through ICT	SF	8	6
PP_R07 Other projects need heavy ICT resource	SF	6	4
PP_R11 – the CSGC contractor focuses attention on meeting speed of response targets & not quality of service	SF	4	6
PP_R13 The introduction of inform 360 & automated self-service options via telephone reduces access and/or satisfaction with contact	SF	6	9
PP_R15 Redundancy costs of transferred staff borne by DBC in first year of contract	SF	8	4
FR_R02 Delays & Errors in the processing of Benefits claims	JDe	8	6

Any queries regarding changes in risk scores will have been discussed at the various scrutiny committees that the operational risks are presented to.

4. In the wider risk arena a refresher Emergency Planning training exercise was held in December to ensure that officers are better prepared in the event of an emergency. The exercise served to validate Dacorum's emergency plans and procedures, rehearse key staff and review resilience arrangements. Although it met the key objectives of raising awareness of roles and responsibilities in response to an incident, it also raised issues around training and call out arrangements.
5. As a result additional training will take place during 2014, the first session will take place on 31 March 2014. More bespoke training will take place later in the year to cover the more specialist roles.

Strategic risk register p1



Strategic risk register p2

## Strategic risk register p3

**Strategic risk register p4**

**Strategic risk register p5**

**Strategic risk register p6**

## Strategic risk register p7

**Strategic risk register p8**

## AGENDA ITEM: 8

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>04<sup>th</sup> March 2014</b>
<b>PART:</b>	<b>1</b>

<b>Title of report:</b>	<b>Annual Financial Report by Dacorum Sports Trust</b>
Contact:	<p>Cllr Neil Harden – Portfolio Holder for Residents &amp; Regulatory Services</p> <p>Author/Responsible Officers: Steve Baker – Assistant Director (Chief Executive’s Unit) Matt Rawdon – Group Manager (People)</p>
Purpose of report:	To inform Members of the Finance and Resources Overview and Scrutiny Committee that representatives from Dacorum Sports Trust will be attending the meeting to present a finance overview of the Trust as at March 2014.
Recommendations	That the Committee notes the content of the presentation.
Corporate objectives:	<p>Council Vision: Working in partnership, to create a Borough which enables the communities of Dacorum to thrive and prosper.</p> <p>Regeneration: Drive value from Council Owned assets Building Community Capacity: support social enterprise; empower local community action and delivery</p>
Implications:	<p><u>Financial</u></p> <p>None from this report. The funding of the Dacorum Sports Trust is reviewed annually as part of the Council’s budget setting process.</p>
‘Value For Money Implications’	<p><u>Value for Money</u></p> <p>The decision to transfer the sports service to Dacorum Sports Trust in 2004 means that there are greater external funding opportunities for the services provided for the community. The funding model has achieved a reduction in grant from the Council, thereby contributing to value for money services.</p>



Risk Implications	A full risk assessment will be undertaken as future funding arrangements are agreed
Equalities Implications	Access to sports and leisure facilities has equalities implications for local residents and visitors to the area. The Council has recently contributed to a county-wide health and wellbeing strategy. Equalities Impact Assessment will be undertaken as part of the partnership review process.
Health And Safety Implications	None from this report.
Consultees:	
Background papers:	Report to the Housing and Community Overview and Scrutiny Committee 16 <sup>th</sup> October 2013.  Representatives from the Sports Trust will be making a presentation to Members of the Committee at the meeting.

## 1. INTRODUCTION

1.1. The Dacorum Sports Trust was established in 2004 and manages many of the Council's Sports facilities. The Trust (trading as Sportspace) now manages the following facilities through lease arrangements or dual use agreements:

- Hemel Hempstead Sports Centre
- Berkhamsted Sports Centre
- Tring Sports Centre (dual use facility with Tring School)
- Longdean Sports Centre (dual use facility with Longdean School)
- Floodlit Multi-Sports Area (dual use with Hemel Hempstead School)
- Dacorum Athletics track
- Little Hay Golf Complex

1.2. In addition, the Trust run a programme of Sports Development throughout the Borough and aims to deliver innovative sports ventures such as the XC building at Jarman Park, the result of working with the Council and Youth Connexions over a two year period to develop an extreme sports and youth centre.

1.3. As part of monitoring the progress and effectiveness of the Council's partnership with the Trust, the Trust made a presentation to the Housing and Community Overview and Scrutiny Committee in October 2013, to provide Members with information about the performance and activities provided and outline some proposals for the future.

1.4. The presentation to the Finance and Resources Overview and Scrutiny Committee will provide Members with details of the Trust's financial performance to date, use of funding, current position and outline detailed plans for the coming year.

## 2. SUBSIDY

2.1. The core grant subsidy made to Sportspace for 2013/14 is £475,000 which includes £50,000 for Little Hay Golf Course, but this will reduce in the event that a

surplus is generated above an agreed level. The benefits of any surplus are shared between Sportspace and the Council on a 60:40 basis.

- 2.2. The original grant when the services transferred in 2004/05 was £862,000. The grant has been reducing year on year, apart from in 2007/8, when there was a significant rise in utility costs and the Council agreed to make a contribution for that year only. The Trust also, by agreement, receives and manages the Sports grants for Disablement groups which is around £13000 annually.

## AGENDA ITEM: 9

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>04<sup>th</sup> March 2014</b>
<b>PART:</b>	<b>1</b>

<b>Title of report:</b>	<b>Procurement Review</b>
Contact:	Neil Harden, Portfolio Holder for Residents & Regulatory Services  Author/Responsible Officer     Ben Hosier
Purpose of report:	1. To update members of the Overview & Scrutiny Committee of the recommended changes to the approach the Council takes when supporting commissioning and procurement activities.
Recommendations	1. That members agree with the recommended changes to the approach the Council takes when supporting commissioning and procurement activities.
Corporate objectives:	The proposed changes will ensure that all commissioning and procurement activities of the Council will align with the vision and priorities as stated in the Corporate Plan
Implications:	<u>Financial</u>  There will be some financial cost to the Council for these recommended changes and in particular with the support with the implementation of Category Management, but the cost of these changes will be easily recovered from the savings that this approach will generate.
'Value For Money Implications'	<u>Value for Money</u>  Implementing these recommended changes will support the planning, delivery and monitoring of the commissioning and procurement activities and align them to the Vision and Priorities in the Corporate Plan which will result in a positive effect on Value for Money.
Risk Implications	There is a risk that should the Council choose not to implement all of these recommendations then it will not be able to demonstrate its commissioning and procurement activities align with its Corporate Plan and maximise the benefits that this approach will deliver. The Council must ensure that it complies with the Public Contract Regulations when carrying out commissioning and procurement activities.

Equalities Implications	There are no direct implications on Equalities via the implementation of these recommendations; however Equalities will be taken into consideration as part of the Outcome Based Commissioning approach for individual requirements.
Health And Safety Implications	There are no direct implications on Health & Safety via the implementation of these recommendations; however Health & Safety will be taken into consideration as part of the Outcome Based Commissioning approach for individual requirements.
Consultees:	Corporate Management Team  A consultation exercise was carried out in the latter part of 2013 on existing procurement support (including the Strategy and PSO's) this was with Group Managers, Team Leaders and Officers.
Background papers:	CMT - 23 July 2013 CMT – 29 October 2013
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	A report was taken to CMT last year which identified the need for a change in the Council's approach to commissioning and procurement.  A further report was taken which identified the design of the optimum service delivery solution.  This report provides Members with an overview and recommendations to support the changes.
Glossary of acronyms and any other abbreviations used in this report:	CSCG – Capital Strategy Steering Group

### **Procurement Review**

This report provides an overview of the 'Procurement Review' which includes the design of a service delivery solution for the Council's commissioning and procurement activities that better supports the Council's wider vision.

The redesigned service delivery solution will result in Council resources being concentrated on those areas which will generate savings and on those contracts which will help deliver the Council's vision and the needs of the community.

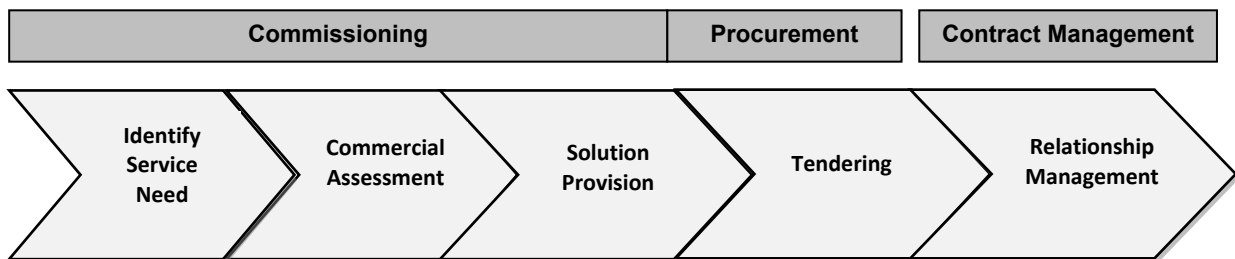
The main drivers behind this 'Procurement Review' are to clearly align the planning, delivery and monitoring of the Council's commissioning and procurement activities and outcomes to the vision and priorities as outlined in the Council's Corporate Plan, The service delivery solution will also enable the Council to benefit from substantial savings against the current spending levels.

A report was taken to the Council's Corporate Management Team in July 2013 which identified that there was a need to change the manner in which the Council supported and delivered its procurement activities and sought agreement from CMT that this should be

addressed through a 'Procurement Review' which would be led by the Group Manager Commissioning, Procurement & Compliance together with officers from the procurement team.

A further report was presented at CMT in October 2013 providing them with an update on the 'Procurement Review' in relation to the design of a service delivery solution that provided a clear alignment to the Corporate Plan. It was agreed that supportive work should continue on this solution around the guidance, processes and training and that the results of this should be presented back to CMT/Scrutiny/Cabinet in March 2014.

The service delivery solution has been designed around the 'Commercial Cycle', this provides a consistent approach and ensures that all commissioning and procurement activity undertakes the commissioning element (added value) of the 'Commercial Cycle'.



**Fig 1 - Commercial Cycle**

Direction

The Council's commissioning and procurement strategy has been completely redrafted setting a clear direction of travel and provides a clear alignment to the Corporate Plan.

It has also been simplified to provide clarity with its objectives and how the service delivery solution will support these.

Delivery

The service delivery solution comprises of 3 distinct elements

- Category Management
- Outcome Based Commissioning
- Contract Management

**Category Management**

Adoption of a category management approach to spend is an ideal way to focus efforts and organise corporate spend and resources into specific spend categories. It will provide the methodology and best practice approach to ensure a coordinated approach to commissioning and procurement as well as provide a clear, structured framework for the management of that spend throughout its lifecycle.

It should also be noted that structuring spend by category will allow both a Supply Market view (how the markets supply the goods and services) and an internal demand view (how the organisation consumes the services). This approach invariably results in a spend

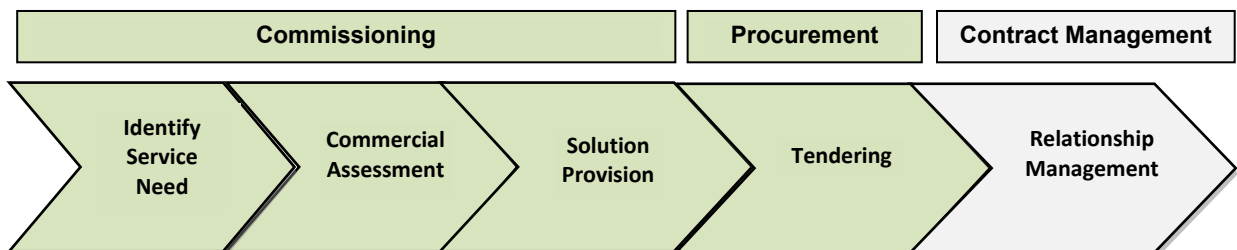
category that goes beyond the traditional internal organisation structure, and leverages what and how the market can supply its services.

**Recommendations**

Current Position	Recommended Position	Reasoning
<p>Apart from a few corporate contracts, the Council undertakes its procurement activity based upon an individual requirement of a service.</p>	<p>The Council will implement a Category Management approach to its commissioning and procurement activities. This approach will be driven and coordinated by the Commissioning and Procurement Team with support from Legal and Finance. Each category of expenditure will have a dedicated Category Lead (Assistant Director) and support from an appropriate level of Category Experts. Support for the implementation of this will be provided by an external organisation that has successfully implemented this approach at other local authorities.</p>	<p>This approach will enable the Council to have full understanding of its spend profile. This will result in the Council having a much more coherent approach to commissioning and procurement activities which will lead to better planning and improved outcomes. Category Management will directly support the delivery of substantial savings.</p>

**Outcome Based Commissioning**

This approach reinforces some of the work that will be undertaken as part of Category Management and incorporates the first 4 stages of the ‘Commercial Cycle’ for all commissioning and procurement activity. The main focus is on the first 3 stages of the cycle, the ‘Commissioning’ stages, this enables the Council to follow a robust process that will challenge all commissioning activity and ensure that the outcome is the most appropriate and will be linked either directly or indirectly to the vision and priorities as set out in the Corporate Plan.



**Fig 2 – Commissioning Stages**

## Recommendations

<b>Current Position</b>	<b>Recommended Position</b>	<b>Reasoning</b>
The guidance documents that currently support procurement activity across the Council are called the Procurement Standing Orders	It is recommended that these are renamed the Commissioning & Procurement Standing Orders to encompass the commissioning role.	This will provide clarity for Officers and Members and raise awareness of the Council's change in its approach to commissioning and procurement activities
At present formal commissioning is only carried out on a very limited basis sporadically across the Council.	It is recommended that Outcome Based Commissioning should apply to all commissioning & procurement activity above £50k. This approach will be driven and coordinated by the Commissioning and Procurement Team with support from the Client Officer, Category Lead, Legal and Finance.	This will ensure that every contract above £50k will have been through the commissioning process which will be consistent and robust and will ensure that the outcome is directly/indirectly aligned to the Corporate Plan.
Grants are currently awarded without undertaking any commissioning activities; this includes the grants we award to our strategic partners, our arts & heritage, community grants and disabled facility grants.	It is recommended that <u>all</u> Grants are classified as commissioning and procurement activity and must therefore follow the Outcome Based Commissioning route.	This will ensure that the Council comply with the Public Contract Regulations 2006. This will also result in the outcome of the commissioning and procurement activity being aligned to the Corporate Plan.
At present the Procurement Team are involved in all procurement activity between £10k and £50k	For all procurement activity below £50k quotations will be sought by officers from the procuring service.	This will free up the resource of the Procurement Team resulting in them being able to focus on the commissioning element, which is where the value will be added and driven from.
<b>Current Position</b>	<b>Recommended Position</b>	<b>Reasoning</b>
At present quotations are sought up to £10k by officers of the procuring service.	It is recommended that quotations are still sought by officers of the procuring service up to £10k, but that these are from local companies wherever possible.	This will ensure that the Council supports the stimulation of the local economy.
At present quotations and tenders are sought by officers of the procurement team between £10 and £50k	It is recommended that quotations are sought by officers of the procuring service between £10k and £50k. These quotations must follow a formal	This will free up the resource of the Procurement Team resulting in them being able to focus on the commissioning element, which is where the value will

	<p>process and be advertised on contracts finder.</p>	<p>be added and driven from. Central Government are in the process of producing the Local Authorities (Data Transparency) Code 2013, this will amongst other things require local authorities to advertise <u>all</u> quotations above £10k on the national advertisement system contracts finder. The intention is that this will increase democratic accountability. This will impact on the resource of officers from the procuring service and will mean that they will need to undertake these quotations following a robust process.</p>
<p>All contract award decisions above £50k are generally made by Portfolio Holders, unless delegation is stated in the scheme of delegation or has been specifically requested from Cabinet or the PH holder.</p>	<p>It is recommended that the Council introduce new authority levels for awarding contracts as follows;  Team Leader up to £10k  Group Manager up to £50k  Assistant Directors up to £250k  Corporate Directors up to £500k</p>	<p>The decision to award a contract is usually an operational decision. If the contract is to be paid from a revenue budget then the service budget has already been set and agreed by Cabinet and if it is to be paid for from a capital budget this will also have been agreed by CSSG and reported to Cabinet.  Before any contract is awarded it will have been through a rigorous process with input and checks from professional officers from procurement finance and legal.  The authority levels have been deliberately set so that Team Leaders and Group Managers can award lower value short term contracts, whereas the AD's and CD's can award higher value longer term contracts.</p>



## **Contract Management**

Proper Contract Management and Supplier Relationship Development are essential if the Council's desired commissioning and procurement outcomes are to be delivered.

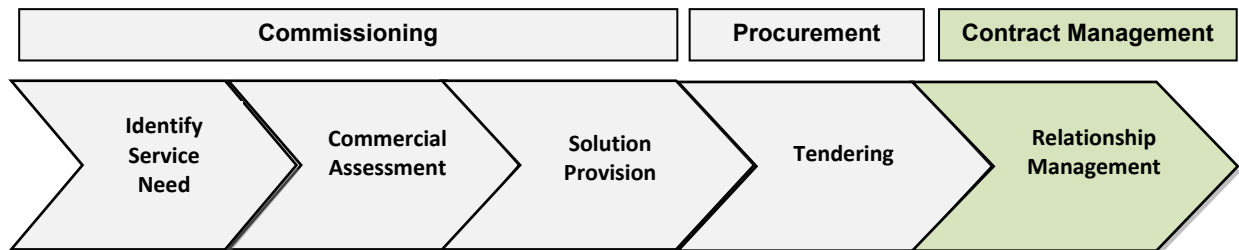
This element would normally involve the operation and management of the contract including contract mobilisation and implementation, stakeholder & asset management and dispute resolution procedure.

- Monitor the performance and cost of the contract including reporting management information, key performance indicators and benchmarks.
- Review the performance of the contract and provide feedback to stakeholders on quality assurance and lessons learned.
- Agree variations and financials to the contract including interpretation of contract, technical changes, commercial management, financials- inflation etc.

This stage of the procurement cycle will also concentrate on building a constructive relationship with key contractors and service providers and developing them so that the Council maximises the return on this investment.

Not all contracts will require the same level of resource to manage them. However, the Council will clearly need to prioritise the key strategic contracts and regularly monitor and report on their performance to ensure that the contracts continue to deliver the required outcomes.

To ensure that the Council has a consistent approach to contract management it will be necessary to introduce training so that staff who manage the contracts are equipped to efficiently monitor the performance of contracts in a proactive manner.



**Fig 3 – Contract Management**

## Recommendations

<b>Current Position</b>	<b>Recommended Position</b>	<b>Reasoning</b>
<p>In the majority of the Council's current key contracts the management of them are being driven by the contractor.</p>	<p>It is recommended that through its approach to Category Management the Council identifies its key strategic contracts and puts in place a dedicated contract resource.</p> <p>A consistent contract management process and methodology is drafted by the Procurement Team and delivered as training to the identified contract resource.</p> <p>A process should be developed for key strategic contracts and a separate process for lower value contracts.</p> <p>The dedicated contract resource should be involved in the Outcome Based Commissioning for cyclical contracts.</p> <p>The performance of the Council's key strategic contracts are monitored via the corporate management system Corvu.</p>	<p>Although all contracts will have been through a robust and rigorous tendering process, there are no guarantees that this is what will be delivered in a contract. Key strategic contracts will by their very nature be complex arrangements and will require development as the contract progresses.</p> <p>Contractors and Service Providers generally invest to ensure that they have the appropriate level of resource on their side to manage the contract/relationship; the Council should also follow this lead to ensure that value and quality are maintained throughout the contract duration.</p> <p>A consistent approach to managing contracts will result in the Council finding it much easier to understand the performance, monitoring and reporting mechanisms.</p>

## Reporting

It is recommended that aspects of the commissioning and procurement activities of the Council are reported on so that the Corporate Management Team and Members can be regularly updated as to the performance.

It is suggested that the performance of Category Management should be reported to the Budget Review Group on a quarterly basis, with particular emphasis on the savings target performance to date. This could be just as a written report that is sent to the individual attendees, or as an invite to verbally discuss any specific issues or concerns.

It is also suggested that the performance of the Council's key strategic contracts are reported to the Performance Board, along with any updates as to the Outcome Based Commissioning of key projects. This could just be as a written report that is sent to the individual attendees, or as an invite to verbally discuss and update any specific issues or concerns.

## AGENDA ITEM: 10

### SUMMARY

<b>Report for:</b>	<b>Finance and Resources Overview &amp; Scrutiny Committee</b>
<b>Date of meeting:</b>	<b>04<sup>th</sup> March 2014</b>
<b>PART:</b>	<b>1</b>

<b>Title of report:</b>	<b>Shared and Outsourced Services Update – Customer Service Centre and Gateway Contract (CSCG)</b>
Contact:	<p>Cllr Neil Harden, Portfolio Holder for Residents &amp; Regulatory Services Cllr Brian Ayling, Cabinet Support Member</p> <p>Responsible Officers: Shane Flynn – Assistant Director (Performance and Projects) Ben Hosier – Group Manager (Procurement) Mark Housden - Commercial Contracts Lead Officer</p>
Purpose of report:	To update Members on progress with the Customer Service Centre and Gateway project.
Recommendations	That Members note progress and comment on the Customer Service Centre and Gateway project.
Corporate objectives:	Supporting the 'Dacorum Delivers' strategic change programme
Implications:  'Value For Money Implications'	<p><u>Financial:</u> Efficiency savings have been identified as part of the overall project and will be monitored through the Performance Management Frameworks, which form part of the contract documentation.</p> <p><u>Value for Money:</u> Current central government legislation has identified that local authorities should seek to provide value for money for citizens by exploring partnership arrangements to deliver services. The Northgate proposal was tested against a public sector comparator to demonstrate that the contract will provide value for money.</p>
Risk Implications	A risk assessment of the CSCG project has been undertaken and reported to the Overview and Scrutiny Committee. An ongoing risk log was developed to cover all aspects of the transfer. Post contract completion a new project plan has been introduced and a revised risk register, focused on delivery, has been developed.
Equalities Implications	Equality Impact Assessment carried out This was included in the report to Cabinet on 26 <sup>th</sup> March 2013. Further impact assessments will be required to assess the impact of the

	Customer Relationship Management and Channel Shift projects.
Health And Safety Implications	<p>There are no immediate health and safety issues. During the period March to July 2013 additional security arrangements were in place in the reception area to help manage the transition to Council Tax Support. The transition is now complete and therefore the additional security has been withdrawn. Normal security levels for staff are now in place.</p> <p>A review of current procedures to ensure coordination of health and safety management between DBC and onsite contractors is underway</p>
Consultees:	<p>A corporate multi-disciplinary project team has been developing the CSCG project. In addition Customer Services staff have been engaged through regular staff meetings and the Staff Reference Group. Unison has also been consulted regularly.</p> <p>Approval for contract signature and transfer of service was delegated by Cabinet to the Portfolio Holder for Residents and Regulatory Services and the Corporate Director (Finance and Governance).</p>
Background papers:	<ul style="list-style-type: none"> <li>• Cabinet report, 26 March 2013 – Customer Service Centre and Gateway Tender Exercise (Part 2)</li> <li>• Cabinet report, 25 June 2013 – Customer Service Centre and Gateway Contract (Part 2)</li> <li>• Cabinet report, 23 July 2013 – Customer Service Unit Drawdown from Reserves</li> </ul>
Historical background <i>(please give a brief background to this report to enable it to be considered in the right context).</i>	<p>In May 2011 Cabinet approved a Shared and Outsourced Services project. The project's objective was to explore shared service options for a number of Council services, including a 'strategic partnering' approach for Customer Services.</p> <p>The approved procurement process resulted in the Customer Service Centre and Gateway Invitation to Tender (ITT) being released to the market on 30th October 2012. On 26 March 2013 Cabinet approved the award of a four year contract to Northgate Information Solutions Ltd.</p> <p>On 25 June 2013, Cabinet delegated authority to the Portfolio Holder for Residents and Regulatory Services on the advice of the Corporate Director (Finance &amp; Governance) to bring forward the forward the contract signature date (the Effective Date) and Operational Service Commencement Date, subject to completion of agreed tasks.</p> <p>The Finance &amp; Resources Overview &amp; Scrutiny Committee has continued to receive updates on progress on the contract since September 2012.</p>

Glossary of acronyms and any other abbreviations used in this report:	<p>CSCG - Customer Service Centre and Gateway</p> <p>CSU - Customer Service Unit</p> <p>ITT - Invitation to Tender</p> <p>CRM - Customer Relationship Management System</p> <p>OLA - Operating Level Agreements</p> <p>PMF - Performance Management Framework</p>
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## 1. Background

- 1.1. The contract for the delivery of the Customer Service Centre and Gateway (CSCG) to Northgate Information Solutions UK Ltd (Northgate) was signed on 12 July and the service was transferred to Northgate on 5 August 2013.
- 1.2. This report provides an update on the performance of the contract.
- 1.3. Mark Housden has been appointed as the Commercial Contracts Lead officer to manage the contract on an operational basis. This will increase focus on client side monitoring, assessment and management of the contract.

## 2. Financial monitoring

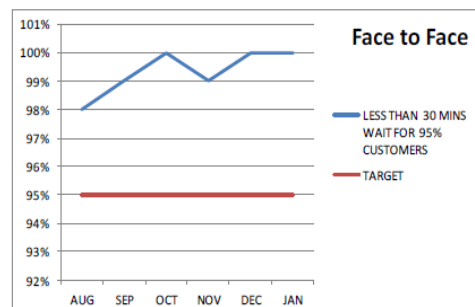
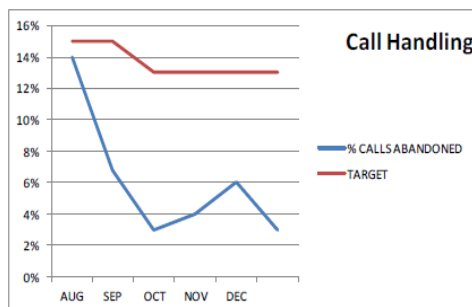
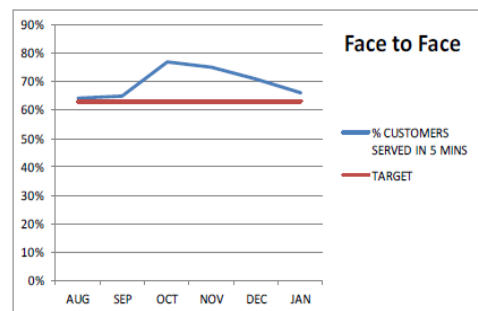
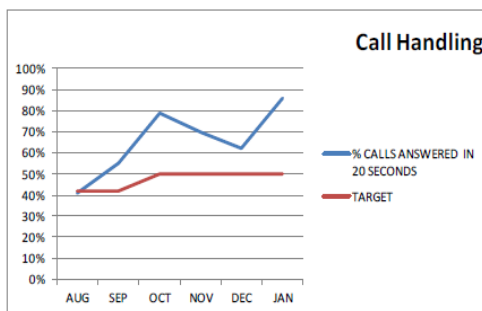
- 2.1. Close financial monitoring of the contract will be required to ensure that the anticipated benefits are realised by year four, and beyond. All contractual payments to date have been in line with expected costs.
- 2.2. Redundancy payments have been made to staff released by Northgate. These costs have been met by Dacorum Borough Council, as required under the contract, as they fall within the first year of the contract and can be funded from the existing redundancy reserve.
- 2.3. Further payments are required in respect of pension strain for specific employees. These will be advised by the pension fund authority in due course but are expected to be within the anticipated limits. All costs can be met from existing redundancy reserves. No further redundancies are anticipated.
- 2.4. In October, the actuary for the Pension Fund Authority calculated a reduced employers liability contribution of 18.8% for Northgate staff. This is below the 21% anticipated in the contract. A refund is therefore due from Northgate and this will be included in the next quarterly review of the contract costs. Invoices going forward will reflect the reduced rate.

## 3. Performance monitoring

- 3.1. Performance of the contract is managed in partnership with Northgate through an Operations Board which meets monthly to consider:
  - Achievement against Key Performance Indicators (KPIs) for the preceding month and any service credits due
  - Management issues
  - Progress against the two core projects in the transformation programme: Customer Relationship Management (CRM) and channel shift
  - Risk associated with the contract and delivery of the transformation programme.
- 3.2. The KPI results for the first six months of the contract are show in the tables below. The contract continues to perform above the expected levels. A

deterioration in performance for December was addressed in time for the January data release.

CALL HANDLING	TARGET Oct 13	TARGET Feb 14	TARGET Apr 14	TARGET Jul 14	AUG ACTUAL	SEP ACTUAL	OCT ACTUAL	NOV ACTUAL	DEC ACTUAL	JAN ACTUAL
% CALLS ABANDONED	13%	10%	8%	5%	14%	7%	3%	4%	6%	3%
% CALLS ANSWERED IN 20 SECONDS	50%	60%	65%	70%	41%	55%	79%	70%	62%	86%
OPENING HOURS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
FACE TO FACE	TARGET Oct 13	TARGET Feb 14	TARGET Apr 14	TARGET Jul 14	AUG ACTUAL	SEP ACTUAL	OCT ACTUAL	NOV ACTUAL	DEC ACTUAL	JAN ACTUAL
% CUSTOMERS SERVED IN 5 MINS	63%	70%	70%	70%	64%	65%	77%	75%	71%	66%
LESS THAN 30 MINS WAIT FOR 95% CUSTOMERS	95%	95%	95%	95%	98%	99%	100%	99%	100%	100%
OPENING HOURS	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%



3.3. One of the KPIs within the contract is face to face waiting times. There are two indicators:

- Average wait time: The current target is that 63% of customers must be seen within 5 minutes. This will increase to 65% in February 2014 and to 70% in May.
- Longest wait time: the current target is that no more than 5% of customers have to wait longer than 30 minutes to be seen. This indicator exists to ensure that where increased volumes of customers come into the Council, the contractor commits additional resources to reduce the impact on waiting times. The indicator remains at 95% throughout the transition period and beyond.

3.4. The contract allows for the Council to alter targets to drive improved performance over time. The first stage for reviewing the operation of the targets is at the end of the transition phase in July 2014.

3.5. Other performance monitoring information is available under the terms of the contract but it is for monitoring purposes only. Average data for the period September 2013 to January 2014 is shown in the table below

**Non-KPI Data, September 2013 – January 2014**

Average wait time	54 seconds
Longest wait time	16 minutes,42 seconds
Average call length	3 minutes, 25 seconds
Enquiries resolved at first point of contact	92%
Staff utilisation	69%

**4. Factors affecting performance**

4.1. Over the first six months of the contract, performance has remained consistently well above the targets set out in the contract. Performance Management systems have been implemented to achieve this and a range of transitional activities have been implemented including:

- The appointment of a Customer Services Manager and Service Delivery Manager to manage day to day operations
- Increased flexibility across the call and contact centres at all sites
- Merging of the reception and triage functions with call and contact centre operations to increase resolution at first point of contact.

4.2. These changes have enabled the release of staff up until mid-February 2014 in line with the transition plan. While the improvements in management have clearly had a positive impact on performance to date, the KPIs will provide clear and early warning of any issues arising as the staff reductions bed in during the second half of the first year.

4.3. The next stage in the transition plan is to develop quality assessment measures to ensure that the changes do not result in reduced quality of service to customers – both external customers calling or visiting the Council and internal customers who use the CSCG to manage customer contact. There are three separate components of quality assessment (in addition to the Council’s general complaints monitoring functions):

- A customer satisfaction survey every six months
- Quality audits by service managers every quarter
- The Govmetric benchmarking survey

Proposals are in place to implement the first two activities, the first of which is due in February 2014. The second will not formally start until the transition is complete in August but the process will be implemented in April to assess its functionality.

4.4. As these changes bed in the KPIs will provide clear and early indications of any monitoring systems for individual staff are now being put in place. Key factors highlighted by the second month of operations were:

- There are times in the day when the number of available advisors falls below the required number. This is due to the inflexibility of current contracts and staff attrition

- Call lengths are well above the average at around 6 min 30 sec. Northgate would expect average call lengths in the contact centre to be 5 minutes. An analysis of calls has identified issues with transferring calls to back offices. In one particular instance it took 10 minutes for an advisor to successfully transfer a call
- There is a continued lack of real time performance management information to flex service requirements during the day. This is being progressed and will assist better management of resources
- Senior managers and team leaders are now focused on performance and are actively managing peaks and troughs in customers demand.

4.5. The key service developments in September were as follows:

- Monthly OLA meetings started with group managers. The meetings introduced the joint planning calendar which will enable the contractor to forecast the impact on Customer Services of initiatives and developments in back offices
- Daily team performance briefings (huddles) were introduced, which are designed to encourage proactivity and increase understanding of performance drivers. Team leaders taking a more proactive role in managing service levels
- First planning workshop was held with Inform360 to commence implementation planning. Now expecting implementation plan from supplier
- Initial joint customer insight meeting held between Northgate and Council lead officers
- Experian have completed first cut of Dacorum customer insight data. This is now being shared with Northgate team who will interpret the results
- Work underway on identifying customer demand reasons and mapping processes: to be used during the CRM system build and training.

4.6. The impact of these changes appears to have been positive as far as the key performance measures are concerned. A number of them are important components in the delivery of the Service Improvement Plan which is discussed below.

## **5. Service Improvement Plan**

5.1. The SIP is a key document that forms part of Northgate's contractual obligations. It sets out a timetable for implementing key stages of the service development, including two specific projects relating to the transformation:

- The introduction of a Customer Relationship Management (CRM) system, including Citizen Insight
- Channel shift from face-to-face and call contact to web-based interaction where this improves access to services and promotes efficiency.

### CRM

5.2. The Customer Relationship Management System was due to be introduced during November but a variety of technical issues have delayed implementation. These relate to ICT matters primarily concerning the suitability of firewall arrangements. Alternative arrangements are being developed and short term solutions have been implemented to enable CSCG staff to undertake training on the CRM system.



- 5.3. The CRM system operates by drawing information from back office systems into one system to provide a 'single view of the customer'. This means that when customers contact the council all their details and transactions can be accessed quickly and easily by CSCG staff. The impact of the delays in CRM are minimal as staff continue to have access to back office systems with which they are familiar. The CRM system will bring benefits over time in terms of:
- improving the quality of interactions with customers
  - reducing training for new staff who will only have to view one system which brings in data from back office systems.
- 5.4. However, the introduction of CRM is a key item within the agreed Service Improvement Plan and we will continue to monitor progress to ensure that the Council realises the full benefits of the contract.
- 5.5. The CRM system also forms a key component in the Citizen Insight part of the CRM project. This is the means by which the Council will bring together information about customers contacting the Council with data about citizens within Dacorum, whether they are contacting the Council or not. The combined database will support the Council's drive to increasing Evidence Based Decision Making (EBDM), which is being developed as a separate related project. A series of discussions have taken place to develop a specification for this combined database. The specification will be finalised and agreed in March.

#### Channel shift

- 5.6. Northgate have drafted a channel shift delivery plan which incorporates initial Citizen Insight findings using Mosaic data. The Council's own Web and Customer Access strategy, approved by Cabinet in June 2011, is being redrafted to incorporate the Northgate delivery proposals and a revised action plan for the Council's own web development plans. This has been timetabled for Cabinet in June and will be reported to the Committee at its next meeting.
- 5.7. In addition a Digital Inclusion project is being developed. This project is designed to address the difficulties for customers and residents, including the Council's own tenants, who may not access to digital technology or have concerns about its use. There is a danger of reduced access to Council service for these groups as the channel shift work progresses and the project seeks to address this risk. A concept paper is due to be discussed at Corporate Management Team on 4 March.
- 5.8. A major component of the Channel Shift project is the introduction of Inform 360 – a script-based automated call system which enables customers to receive information and carry out some transactions outside of normal office hours.
- 5.9. The first service – Revenues and Benefits – went live on 9 December following agreement of the scripts to be used. Pest Control and Pollution followed at the end of January and scripts for refuse collection and Housing were released during February.
- 5.10. Following the Revenues and Benefits release, the impact on customers was monitored closely. Statistics collected at the time showed that between 9 December and 21 January:
- 9114 calls were received by the Council
  - 3050 of these were transferred to agents
  - 66% of calls were therefore resolved by Inform.

5.11. 15 formal comments or complaints were received through the complaints system regarding the scripts. This amounts to 0.17% of the calls received. Some of the calls were about specific issues with the scripts which have been passed to Northgate to resolve. Others were of a general nature concerning the use of scripts and the desire to speak to an advisor. These have been acknowledged and, where appropriate, the rationale for the Channel Shift approach explained.

## 6. Risk management

6.1. Risk registers relating to the delivery aspect of the CSCG project are reviewed monthly by the Operational Board. An ongoing log of issues is also being maintained with action points to be agreed at the Board meetings. The following issues were logged at the January Operational Board meeting.

### CSCG issues and actions as at January 2014

Issue	Action taken
<b>SLA</b> IT Support and SLA for service	Discussion over service levels to take place. A draft OLA has been developed and has been shared with Ben Trueman. Meeting is being arranged for February to agree the content of the SLA.
<b>Inform 360</b> Problems with the implementation of SIP trunks have delayed the implementation of Inform 360.	Council IT team are working with Integra to identify the cause of the problem, however to date they have not been able to understand what's causing the failure. This is crucial to be addressed as it may delay the final tranche of Inform 360. Daily calls have been implanted to support this closure
<b>Inform 360</b> Environmental services have delayed giving sign off to scripts due to changes being made after the scripts were reviewed.	The issue has been escalated to Shane Flynn to resolve with group manager. Now resolved
<b>CRM</b> Unable to establish the connection between Dacorum and training server.	Discussions have been ongoing between Council IT and Northgate technical teams. Latest version of connect software is being installed.
<b>CRM</b> The lack of available ports in the Dacorum Firewall is preventing the BT connection being installed.	Dacorum ICT currently evaluating the situation and deciding on a suitable way forward.

## 7. Conclusion

7.1. The first six months of the contract have been positive, particularly in respect of improved performance against key targets. The introduction of Inform 360 and staff transitions represent the first major milestones in the transition programme and we need to continue to monitor the contract closely during the second half of the year and introduce quality measures. The appointment of a full time client-side officer will facilitate this.

**11. 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 that item, there would be disclosure to individual employees and information relating to:

## Appendix A

### FINANCE AND RESOURCES: Overview & Scrutiny Committees: Work Programmes 2014/15

**Scrutiny making a positive difference:** Member led and independent, Overview & Scrutiny Committee promote service improvements, influence policy development & hold Executive to account for the benefit of the Community of Dacorum.

Date:	Report Deadline	Items:	Type:	Contact details:	Background information	Outcome of Discussion
4 <sup>th</sup> June 2014	20 May 2014	CIL (Pros and Cons)	SC	J Doe, Assistant Director – Planning, Development & Regeneration.		
		Action Points from previous meetings	SC	All Members to discuss		
		Q4 Performance & Operational Risk Register Reports	PM	S Baker, Assistant Director – Chief Executive’s Unit (MO) S Flynn, Assistant Director – Project Governance – Residents & Regulatory Services – PH – N Harden) J Deane, Assistant Director, Finance & Resources – PH – N Tiley		
		Q4 Risk Management Report 2014/2015	PM	L Dargue, Insurance & Risk Manager		
		Q4 Forecast Financial Outturn Report 2014/15	PM	P Sutton, Group Manager		
		Shared and Outsourced Update Report – Customer	SC	S Flynn, Assistant Director – Project Governance		

		Service Centre and Gateway		(Residents & Regulatory Services – PH – N Harden)		
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