

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

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Dear Councillor Weaver,

Policy Review & Performance Scrutiny Committee: 16 October 2019

Thank you for attending the Policy Review and Performance Scrutiny Committee for consideration of the budget position at month 4. Would you also please pass Members' thanks to Chris Lee, Ian Allwood, David Lowe and Steven Melhuish, the officers who attended in support of this item? The Committee has some concerns therefore Members agreed that I pass on the following observations.

The Committee recognises that month 4 is the point in the budget year at which pressures can be identified that will enable the Council to plan for action to balance the budget. However we are of the view that month 4 is a short time into the 2019/20 budget for the Council's directorates to have arrived at a projected overspend of £7.018million. Therefore we offer the following comments.

Trend Analysis

Members feel there is an opportunity for greater use of trend analysis in setting budgets. This is particularly the case when setting social services budgets. We are concerned that the Council is not learning from previous experience of overspending on social services and other budgets. Clearly for some core services a small change in demand can have a significant impact and we note that you are developing more robust business cases in line with the budget strategy. We therefore urge that you factor trend analysis into your business case and other discussions.

Savings position

The Committee is concerned that approximately one third of targeted savings for 2019/20 are projected to be unmet. We feel that councillors are receiving advice on potential savings opportunities that are not actually achievable. Therefore a more robust system of assessing and challenging detailed savings business cases is vital this year, and we recommend a fundamental review and fresh approach. We note that it is more and more difficult to create contingencies within the budget, and that there is a growing risk attached to meeting challenging savings.

Budget reporting

Members feel there is an opportunity for financial reporting to be of greater assistance to managers in delivering services, particularly when approaching an overspend position. We understand some services are demand led (but trend analysis can assist with forecasting), however this is not the case for all services and we believe the Council can control budgets better in many other service areas. Improving reporting mechanisms and making managers personally accountable for keeping control of their spending would enable sounder governance of the management of budgets. I consider that managers who fail to keep within budgets should promptly receive a review with their supervising manager and continued failure in this regard should lead to executive intervention.

Facilities Management

As Chair, I requested representation alongside you at the meeting from two services with notable overspends that fall directly within the Committee's remit, Facilities Management and Fleet Services.

In respect of Facilities Management several challenges ahead were laid out, such as the provision of security services and the management of buildings. We heard that the security service has been hit by mobile security services being transferred to the ARC, leaving only static security at County and City Halls. In the longer term we note there will be savings in these static security costs resulting from a decrease in the number of core office buildings.

Officers indicated that future savings to be made on energy bills will result either from procurement or from invest to save measures. We note that going forward

efficiencies will be made by improving the management of buildings and by creating incentives to decrease the use of energy in council buildings.

However, we consider that both these challenges were known at budget setting time but Facilities management nevertheless proceeded with an unrealistic and unachievable budget. Our past experience of examining budget shortfalls leads us to believe that this budget setting failure is symptomatic of a wider management failure which needs to be addressed in a number of Council departments. Financial Services now needs to make greater demands on realistic budget setting, and on challenging at the first signs of overspend.

Fleet Management

We note that the Fleet Management Service consider themselves in a better position at this point in the year (October) than at Month 4 (July). They reported around 12 new customers, and the number of vehicles being processed through the workshop has increased. Since the Council purchased a vehicle fleet the workshop has the task of maintaining the vehicles, which has impacted on targets. The reduction in lease costs is offset against the cost of borrowing to purchase the vehicles. Whilst lease costs have therefore fallen, maintenance of the fleet means the productivity of the workshop has had to increase. We note officers concern that the vehicle utilisation target in the plan will be difficult to achieve, and this will need to be addressed within the budget strategy. However more opportunities are being identified to utilise vehicles across many services.

In making allowance for the fact that the Fleet Manager is recently appointed and was not involved with setting the budget, the points in the paragraph above about realistic budget setting and monitoring apply to this service area. We will take a close interest in progress made in future months and for the next financial year.

Forecasting

Finally, the Corporate Director Resources acknowledged that the level of challenge is important when determining budgets and we note that he felt there was an opportunity to improve budget forecasting, monitoring and challenge.

My sincere thanks once again for the time you continue to commit to Scrutiny. I will programme consideration of the budget at month 6 for our meeting on 11 December, and it will be useful to reflect on your response to this letter.

Yours sincerely,

A handwritten signature in black ink that reads "David Walker". The signature is written in a cursive, flowing style.

COUNCILLOR DAVID WALKER
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

cc Members of the Policy Review & Performance Scrutiny Committee
Chris Lee, Corporate Director Resources
Ian Allwood, Head of Finance.
David Lowe, Operations, Facilities Management
Stephen Melhuish, Transport Manager
Joanne Watkins, Cabinet Office Manager
Alison Taylor, Cabinet Support Officer