

Extract of Minutes from Economy and Environment Overview and Scrutiny Panel Meeting on 29 November 2017

Budget Scrutiny: Reviewing the 2017/18 Budget Position for Economy and Environmental Services

As part of the Council's development of the 2018/19 budget, the Economy and Environment Overview and Scrutiny Panel was tasked with reviewing the 2017/18 budget position prior to consideration of the 2018/19 budget at its January meeting.

Panel members had also met previously with Finance Managers to look through the detail of the 2017/18 budget position, after which further information had been requested on a number of areas.

The Director of Economy and Environment and the Senior Finance Manager gave a presentation, which included the Council's 2017-18 revenue budget, analysis of services for the Directorate, spend, 6 month forecast outturn, commentary on key variances and progress against target savings. The Cabinet Member with Responsibility (CMR) for Communities was also present. The Director highlighted a number of areas, including:

- Productivity had increased significantly over successive recent years, particularly in major capital projects, in spite of reductions in the number of staff from 800 to 400 (approximate fulltime equivalents)
- Whereas previously, areas for potential savings were apparent, the Directorate was now at 'the thin edge' and the next two years would be particularly difficult although workable
- There was a commitment to keep highways in good order, and roads were categorised red/amber/green, with the focus on amber, although 'red' roads would also be repaired. This was the approach advocated by an expert witness to a previous scrutiny review of highway maintenance
- Some of the big projects coming up included Worcester Parkway station, and Carrington Bridge; it was important to enter into contractual arrangements early to show momentum to the Department for Transport.

During the course of the discussion, the Panel sought further clarification on the areas identified during the earlier development meeting for panel members, and the following main points were made:

- In setting out the purpose of the meeting, which was to review the current budget position, the Panel queried why the information requested from the earlier development meeting had not been provided? The Director was happy to talk through the areas involved, with the Panel
- The Panel had requested inclusion of previous years'

budget figures and a breakdown of services, to enable comparison and the Chairman pointed out that the omission of the service breakdown hindered more in-depth scrutiny, without using the budget book which was a lengthy spreadsheet document

- The biggest forecast variance (£1.3m) was from Waste Services, and it was clarified that this was a direct result of the energy from waste plant working more efficiently and producing less process residues and more bottom ash. The Council paid for the difference between waste going in and residual waste coming out
- Further clarity was sought, since members had understood that waste costs would be less from reduced landfill and there would be income from electricity production
- It was explained that there were a number of factors behind the variance, including a growth in waste per head, and also the contract arrangements in financing the plant, which was an asset; the mortgage element of the contract was for 25-30 years, however the contractor's financial contribution needed to be paid off over a much shorter term. Currently, the waste plant was more expensive to run than to operate landfill, but costs would be cheaper over the long-term. The technology involved was always improving, and the Council would be the beneficiary
- It was suggested that the waste contractor would have known that the plant would work more efficiently and the Director advised that the contractor had taken on an element of risk with the plant, and wanted to build its profile in the UK, and the Panel was reassured that the Council 'drove a hard bargain'
- The Panel was therefore reassured that the Waste Services overspend was not a concern moving forward and would reduce the following year. Overall Panel members were very positive about the operation, and reduction in waste to landfill; several members had been very impressed by a recent visit to the Envirecover plant
- Income from electricity generation would become clearer and it was pointed out that there had not yet been a full year of operation
- Increased recycling was supported and a member asked when district councils would look at collecting food waste, which may also have implications for the waste plant? The Director advised that the volume involved would not threaten the viability of the plant, however he had reservations about food waste collection, including the relatively high costs per tonne.
- The Panel asked about the forecast variance in Scientific Services, of approximately £500,000, which the Director advised reflected the current shortfall in income generation and transformation of the service. One factor

involved an approach by scientists from Queens University in Belfast, who had been looking to increase resilience in local authority scientific services. This had been driven by the Elliot Government report, however the premise of funding streams evaporated in the face of the financial climate and changes in government. Secondly, the service had lost £400,000 business from providing asbestos removal, arising from this unexpectedly being part of the services provided by Place Partnership.

- The Panel was extremely disappointed and concerned that entering into the Place Partnership had taken business away from Scientific Services. When asked whether this had affected service resilience, the Director advised that a 'tight' asbestos removal service was a necessity as it presented a corporate risk. Panel members felt the situation did not make sense, given the partnership agreement and asked whether the situation was recoverable? The Director pointed out that 'we are where we are', but stressed the importance of 'screwdriver-tight' negotiations for whoever negotiated contracts across the Council in future
- The CMR, who had recently taken over responsibility for Scientific Services, said that the Place Partnership negotiations had been incredibly frustrating from a member point of view, however the intention was to maintain Scientific Services, of which asbestos removal was only one element
- The Panel went on to query the forecast variance of £132,000 for the Archives and Archaeology Service, and the Director felt a little time was needed to make sure the service had the right mix of staff for the service model, to up its game and increase income. The service budget of £1.625m had reduced from £1.769 the previous year. The variance was also contributed to by the allocation to the service of accommodation costs for The Hive, which the panel strongly recommended be reviewed
- The CMR referred to the earlier scrutiny exercise, from which a number of points had been taken on board regarding the delivery of the model and service, including the need to promote the service and its expert knowledge. In spite of reductions in hours of the archives service the previous year, the service was recognised as one of the best in the country. The CMR was very pleased with the service and was confident in its direction
- The Panel enquired about the fact that County Enterprises was forecast not to achieve its target of being self-financing by 2017-18, by £114,000. This target had been reduced to £64,000 after using £50,000 from reserves. In discussing the role of County Enterprises, a service which employed people with learning disabilities, and whether it would fit more appropriately with Adult Services, the Director was happy to continue to support

the operation to become more productive, although it was very difficult. However the service greatly enhanced the lives and needs of those employed, which would otherwise need to be addressed elsewhere. The Panel commended this initiative, and suggested more publicity

- The Panel was surprised about the variance forecast for Trading Standards of £236,000 and suggested that when the decision was made to bring the service was back in-house it was on the basis that it would not result in any additional cost to the Council. The Director advised that this figure was projected to reduce by £136,000 by the end of the year and resulted from the costs of ensuring a smooth transition of the service, from being part of Worcestershire Regulatory Services (WRS), to being brought back in-house, whilst remaining co-located. Under the shared service, for every £1 spent by the Council, it only got 43p back because of cost sharing commitments. The Panel agreed that the co-location of the Council's 12 Trading Standards staff alongside WRS was a good result, and that being in-house gave the Council control and resilience, but pointed to a lack of perceived transparency around the original business case to bring the service back in house.
- The CMR advised that the service was now working very well, with a target income of £90,000.
- The Director was asked about the potential for a budget for cycling, which the Panel wanted to recommend following its 3 October scrutiny discussion, in recognition of the increasing importance and role of cycling. The Director advised that this was a political priority question and referred to a recent notice of motion to Council on this subject. He would make the response to the notice of motion available to the Panel and would be happy to participate in a future Panel discussion, with the relevant CMR.

It was agreed that a summary of comments on the budget should be circulated to the Panel, including the areas of variance, and the budget information supplied. Panel members should let the Scrutiny Officer know of any comments on the summary, which the Chairman would then report to the OSPB.

The Panel also agreed to urge the OSPB to challenge Place Partnership on the decision not to use the Council's Scientific Services for asbestos removal, and whether this was in the best interest of stakeholders. The OSPB could look at whether any lessons could be learned for any future outsourcing.

Additionally, the Panel would like to consider the resilience of the asbestos removal service, which was now run by place Partnership.

