

**Performance
Improvement Scrutiny
Committee**



Date	21 Sept 2009
Venue	Reception Room, The Town Hall, Lytham St Annes
Committee members	Keith Hyde (Chairman) Christine Akeroyd (Vice Chairman) Linda Nulty, David Chedd, Ken Hopwood, Tim Ashton, Craig Halewood, Paul Hayhurst
Other Councillors	John Coombes, Paul Rigby, Heather Speak, David Eaves, Maxine Chew, Tony Ford, Howard Henshaw
Officers	Phillip Woodward, Bernard Hayes, Annie Womack
Others	Members of the public

Public Platform

There were members of the public present, and the Chairman asked if anyone would like to speak on any topic on the agenda.

A member of the public wished to speak on item 4 on the agenda. The speaker questioned the motivation for the notice of motion which had resulted in this report coming to scrutiny. He further expressed the opinion that the council should take care not to dispose of its assets inappropriately, particularly North Beach Car Park in light of the Council's consideration of a Dunes Management Action Plan.

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

There were no declarations.

(Cllr Paul Hayhurst queried whether Cllr Tim Ashton had a prejudicial interest item 4, as the previous Portfolio Holder for Streetscene. The Committee was advised that advice had been sought on this matter prior to the meeting and that advice indicated that there was no prejudicial interest).

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Performance Improvement Scrutiny Committee meeting held 23 July 2009 as a correct record for signature by the chairman.

3. Substitute members

The following substitutions were reported under council procedure rule 22.3:

Cllr Paul Hayhurst for Councillor Kath Harper

4. Out-turn Expenditure 2007/08 - Streetscene Services

Mr Phillip Woodward, Chief Executive, presented this report to the committee. The purpose of the report was to implement a resolution of the Council meeting on 27th July 2009 in response to a notice of motion by providing information on the financial and operational performance of streetscene services delivered by the Council during 2007/08.

Mr Woodward provided the committee with information relating to the introduction of a new financial management regime in 2007, and how subsequently a number of variances from the approved budget had been identified, of which the most significant related to the Streetscene Business Unit. He explained the main issues of concern which had arisen and defined the primary components as escalating fuel costs; increased service and repair costs; and unachieved projected income.

The committee were advised that reports presented to Cabinet in January and February 2008 highlighted and explained these budget variances and indicated a different picture than had been reported to Cabinet in September and November of 2007 under the previous financial management regime.

Mr Woodward provided members with illustrations of the net budgets from 07/08 and 08/09 showing initial estimates, revised estimates, actual expenditure, and other financial data; he also included extracts from the MTFS report of January 2008 together with extracts from the questions and answers at the February 2008 Cabinet meeting.

He went on to outline the management response to the situation and the changes made to financial monitoring systems and summarised his report with a range of lessons learned.

The Chairman invited questions from committee members.

Cllr Hayhurst raised queries relating to several issues, including:

- Whether there had been proper financial management and monitoring at the time,
- Why there had been no co-ordination between Finance dept and Streetscene,
- Why it had not been clear earlier that there were financial problems,
- Whether there had been a risk assessment undertaken in 2007

Mr Woodward addressed the queries and explained that he had not been advised of any adverse financial issues by the then finance officer in 2007; that he had raised some issues of concern during 2006 and 2007 with the then finance officer as a result of correspondence from a government office and that it was a matter of record that no issues or concerns had been flagged up in external audit or VFM reports. He further confirmed that as soon as he had been made aware of the financial concerns, subsequent to the change in financial management and the appointment of a new s151 officer, he had acted

upon those performance management and accountability issues and made reference to them within the confidential report that had been circulated to councillors in April 2009. The matters had been brought to the attention of Cabinet and Council at the earliest opportunity. He confirmed that in 2006/07 there had been risk assessments and options appraisals carried out on the future financial management arrangements of the Council that had been reported both to the Audit Committee and to the Portfolio Holder.

Cllr Paul Rigby commented that at the time he had been the responsible finance Portfolio Holder, but that the then finance officer had not reported any variances in the Streetscene budget to him.

Cllr Nulty raised questions, including:

- Whether the s151 officer in 2007 had been the Finance Officer,
- When the remit and role of Streetscene had been expanded to include extra responsibilities, and did that directly cause some of the overspend,
- What was the cause of the large service and repair costs,
- How the overall deficit was eventually exposed,
- Why the ground maintenance for Fylde cost more in 2008/089 than it had in 2007/08 considering that some places were no longer being maintained by Fylde.

Mr Woodward confirmed that the s151 officer was the Finance Officer. He told the committee that the Streetscene's remit had been enlarged in 2005/06, but he did not believe that this was a direct cause of the reported deficit. The watershed for discovery of the variances had been the introduction of the new financial management regime in November 2007 which put new systems in place to ensure that financial information was robust and accurate. He explained that the unexpectedly large service and repair costs had been caused in the main by fire damage costs to the fleet of vehicles.

Cllr Nulty also enquired about the incorrect allocation of costs to Wyre operations in 2008/09 of £300,000 and asked for further details. Mr Bernard Hayes, the Council's s151 officer answered, advising that costs had been wrongly allocated and had now been corrected; that there was a full audit trail; that the Wyre contract was in surplus and contributing to Council overheads, and undertook to provide a written answer regarding the financial issues raised, as he did not have the information to hand.

Members raised issues about the suspension of the previous Streetscene Manager and the Chief Executive advised the Committee that he had acted upon independent, professional advice taken from the North West Employers Organisation at the time and that further confidential information could be made available to the Committee either by going into private session or by writing individually to members of the Committee.

Some members commented that it was regrettable that the financial and disciplinary issues had not been aired publicly at an earlier date and felt that the matter had caused the council loss of reputation. The Chief Executive advised that confidential details relating to staff was excluded from public discussion.

Cllr Nulty asked whether we had looked at other options for restricting the budget other than by freezing recruitment and reducing staff, which appeared to have contributed to the financial problems inherent in the Streetscene department. Mr Woodward confirmed that the budget and savings required by the Council when its annual budget was set were looked at in an holistic manner.

Cllr Hopwood raised the following enquiries:

- What the value was of the Wyre contract,
- what was the age and asset value of the vehicles which were damaged and repaired,
- queried some projected figures in the extracts provided.

Mr Woodward said that the contract was worth £4.5m per year; that the vehicles age ranged from around 4 - 10 years old but he would need to confirm this response; that the report to the November 2007 Cabinet, prepared under the previous financial management regime, suggested a £140,000 overspend. He offered to provide further information, which he did not have to hand, in writing to members of the committee.

Councillor Hayhurst then moved a motion of censure against the Chief Executive, seconded by councillor Chedd. In response Mr Woodward commented that -

- The specific role of the Chief Executive was defined in the Council's Constitution. The main role was to report to the Council on the organisation and proper management of staff and on the manner in which the discharge of the Council's functions is coordinated. This was done several times throughout each year when the Council set its budget, when it reviewed its corporate plan and corporate priorities and when it reviewed its medium term financial strategy.
- The roles of other statutory officers of the Council (the Section 151 Officer and the Monitoring Officer) were also prescribed within the Council's Constitution and specific, direct responsibilities were allocated to these officers.
- The performance management system adopted by the Council was used to highlight issues for the attention of the Council's management team.
- It had been recognised that the resources allocated to the finance function during 2006/07 was causing some concerns and this had been brought to the attention of the Audit Committee who had agree certain actions in relation to the financial management resources of the Council.
- The Chief Executive had been subject to several personal appraisal interviews with a cross-party group of five elected members since his (provisional) appointment in June 2006 and (permanent) appointment in December 2006. No issues of concern over financial management services had been raised with the Chief Executive during these appraisal interviews.
- The specific responsibilities of the Section 151 Officer as described in the Council's Constitution included "responsibility for the administration of the financial affairs of the Council".

The motion was put to the vote and was lost as follow -

For the motion - Councillors Hayhurst, Chedd and Nulty,
Against the motion - Councillors Hyde, Akeroyd, Halewood and Ashton
Abstain - Councillor Hopwood

The committee debated these and other issues at length before it was RESOLVED:

1. To note the report

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