

Peer spending reviews: purpose and method

Agreed at Redesign Board Workshop 15.5.18

Background

The savings target of £2.25m to be delivered through redesign in 2018/19 was agreed by the Council in February 2018. While the programme of peer and lean reviews will contribute to this target, their sole purpose is not to find realisable savings in year but also to find other improvement, so there is a risk they might be insufficient to meet the Council target.

The Board agreed that reviews with the sole purpose of achieving budget reductions and at pace would be helpful. This would also support the budget setting process agreed the Council on 10th May and multi-year budgeting for 2019/20 onwards.

Drawing on the experience of peer reviews, a peer spending review method has been developed.

Developing the peer spend approach

The peer review approach has shown that staff can give and take constructive challenge from peers to improve processes. Also some peer reviews have taken a forensic approach to the budgets attached to services being reviewed. This was demonstrated well in the music tuition review and the grey fleet review. Four budget holders in the Chief Executive's Office also took part in a peer challenge session to review all non-staffing budget lines across the budgets they held. This led to many, often very small, reductions which accumulated to a saving of over £90k for 2018/19 and with minimal if any impact on service outcomes. It is also leading to budget coding improvements and ensuring authority to spend sits with the right team.

A peer and forensic approach would help review spend within a specific Service function or team, drilling into and challenging constructively all the expenditure from the cost centres and subjective codes associated with that function or team.

The approach could also be used for reviewing all spend by type across all Services, identified by subjective code used. For example we could look at all spend associated with internal catering, printing, telephony or coded as miscellaneous.

Benefits of this approach

The benefits expected of peer spending reviews are:

- By focusing on non-staffing budget lines and non-essential expenditure, savings identified and agreed could be taken quickly, in year and removed from budgets.

- Engaging peers in review activity brings fresh eyes to a situation, enables curiosity to be pursued and provides constructive challenge as well as support and new ideas for change.
- Assurance that budgets and authority to spend sit with the right budget holder.
- Improved understanding of expenditure by budget holders and new guidance and training identified and developed.
- More accurate coding of expenditure to align budgets to spend better which also enables better analysis of Service spending and the need for services.
- The review process is likely to identify where other types of reviews may help e.g. Lean review or peer review.
- As the redesign process is about being open to challenge and to learn as we go, other unexpected benefits may also emerge.

Peer spending review methods

The methods for this type of review are set out below.

The steps involved in a peer spending review would be:

1. Identify the review subject (function/team within a Service, type of spend across Services (by subjective code) Initially areas to target could be:
 - budget areas where Members seek more assurance of budget control;
 - those budgets which have grown, seem high or have not experienced recent reduction;
 - those managers who need the most support with budgets (due to their work load, capacity and other pressures); and
 - areas identified by audit activity.
2. Identify the review team. The team will need to involve: peers with strong budget management and budget reduction experience and capacity to be involved and the Finance Manager supported by accountancy staff. For the peer spend review of Service function/team and of income codes, the team would also include the budget holder, staff they manage who incur spend and their line manager/Head of Service. Where the review is focused on spend by type by subjective code selected budget managers (with relatively high spend in the area being reviewed) would be involved primarily through interviews. Contact with the Strategic Procurement Manager would also be made to see how they can support the review team and ensure no duplication of effort. This may mean check-in points with the shared procurement service or for a procurement team member to be attached to the review team.
3. Timescale. The review should be short, focused and completed within 4 weeks and less if for a smaller function/team.

4. Data to use. Review teams should draw on both quantitative data (including from monitoring reports, out-turn reports, payments processed) and qualitative data (budget holder views of their role and attitudes to their budget, what helps and hinders in good budget management, impacts of potential reductions and any budget management training and development needs). These data will be drawn from the Council's financial systems and from using a range of challenge questions as part of the review, see below.
5. Risks. One of the risks identified is that busy managers may rely on balancing their budgets by enabling underspends in some areas to off-set overspends in other areas. Review teams will have to look wider than previous years' out-turns by cost centre to identify savings to avoid creating budget pressures.
6. Challenge questions. Proposed challenge questions, especially for service function/team reviews are provided below; however it is important that review teams follow their curiosity to probe more in some areas than others and follow where their enquiries take them, so the questions below are not an exhaustive list. They can be adapted for use for the reviews focusing on spend by type (by subjective code). Over time we can refine the challenge questions by learning as we go.
 - Questions on financial data: what are the different budget codes in use (income, expenditure, holding etc.)? What does the money buy? What does the spending achieve and how essential is that? If it buys stock/assets, how are stock lists maintained? If it involves temporary arrangements such as leasing, when is the tipping point reached to consider other options? What is the profile of spend during the year? What was last year's out-turn on this cost centre/subjective code and was this unusual? How is the expenditure incurred (e.g. invoicing, purchase cards)? Who incurs the spending in your budget? Who authorises the spending? Is authority provided before or after the spending is incurred? What are the line management arrangements for this function? Do you work to tolerance levels on over spends and if so, who sets these? Are you encouraged to underspend?
 - Questions around the views and attitudes of the budget holder: What would happen if it was not spent or if the budget was reduced? Are there other ways of achieving the same outcome without incurring this spend? What might the community impacts be of reducing the spending and if negative impacts, how could these be mitigated? What support and guidance do you use to manage your budget? What more would help you

to manage your budgets and reduce spending? What would you like to change going forward?

7. Reporting review findings – these need to be shared with the Depute Chief Executive / Director of Finance and the Head of Policy and Reform. The Depute Chief Executive will keep the Budget Group briefed given the savings target to be met and action following reviews can be reported to the Redesign Board for information.

The fit with the budget setting process agreed at Council in May 2018

The budget setting process is taking a strategic approach to financial and performance planning and it will link with workforce planning. It will begin with a high level view of service outcomes and outputs, performance and affordability modelling with a view to budget setting from 2019/20 onwards.

The peer spending review method proposed is not strategic and is focused non-staffing spend and removing non-essential spend. However it will:

- Provide good intelligence around non-essential spend at a cost centre or subjective code level;
- highlight service areas and types of expenditure which need further review and attention as part of the budget setting process; and
- Budget reduction in year.