

OVERVIEW AND SCRUTINY COMMISSION

Agenda Item 86

Brighton & Hove City Council

Subject: Scrutiny of Budget Proposals
Date of Meeting: 14 July 2009
16 March 2010
Report of: Director of Strategy and Governance
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Wards Affected: All

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report is the summary of arrangements for overview and scrutiny of budget proposals within some of this Council's comparator Unitary Local Authorities, that was considered by OSC in July 2009.
- 1.2 The timetable allowed for greater Scrutiny of Budget Proposals 2010-2011 in this Authority than for the previous year; this report gives an opportunity for OSC to comment on the improved process and make suggestions for the future.

2. RECOMMENDATIONS:

2. That the Commission comment on the budget scrutiny process for 2010 – 2011 and make suggestions for the future.
 - 2.1 That the Commission:
 - (1) Notes the update on the budget-setting process as reported to 9 July Cabinet (Appendix 2 to this report).
 - (2) Decides on any additional changes to the role of overview and scrutiny within the budget setting process and makes appropriate recommendations to Cabinet.

3. BACKGROUND INFORMATION

- 3.1 An additional meeting of the Overview and Scrutiny Commission (OSC) was convened on 3 February 2009 to consider the City Council's budget proposals for 2009/2010. OSC regularly receives targeted

budget monitoring reports but this was the first time that budget proposals had been considered by overview and scrutiny prior to the Executive. The scrutiny was felt to have had been positive and constructive and the OSC's comments were taken forward to the 12 February 2009 Cabinet.

- 3.2 An update report on the budget process was presented to 2 December 2008 OSC and training sessions arranged by finance officers were praised.
- 3.3 However concern was expressed by Members that the draft budget proposals were published less than two full working days before 3 February OSC meeting date. This allowed very little time for consideration prior to the meeting.
- 3.4 Additionally information on fees and charges previously presented to Cabinet Member Meetings were not included in the report on general fund revenue budget and council tax 2009/2010 and the Commission requested that these reports be considered alongside the budget. This was not agreed.
- 3.5 OSC on 3 February requested a report on scrutiny of budget setting processes in other local authorities, and requested that future timetables allow for more timely involvement of overview and scrutiny.

4. BUDGET SCRUTINY BY OTHER UNITARY AUTHORITIES

- 4.1 The role of scrutiny in the financial process is to hold the executive to account and ensure that decision-making is efficient, transparent and accountable and supports Council priorities as set out in the Corporate Plan and the LAA.
- 4.2 How this is done is not specified in legislation and local authorities comparable to Brighton & Hove City Council approach scrutiny of budget setting and financial planning in a variety of ways. These depend on local scrutiny structures and processes.
- 4.3 Set out below are examples from 14 comparable Unitary Councils' scrutiny arrangements for the 2009/2010 annual budget proposals. Members may wish to consider which practice employed elsewhere may be appropriate for Brighton & Hove.

Structure of budget scrutiny

- 4.4 At least two authorities gave no consideration of draft Council budget proposals for 2009/10 at Overview and Scrutiny Committee (OSC).
- 4.5 In many authorities, including Brighton & Hove, one O&S Committee received the draft proposals for comment.

- 4.6 Others arranged for reporting of the proposals to several different Committees, sometimes followed by further discussion at a 'resources/performance' or 'coordinating' OSC, incorporating comments and recommendations from all the Committees to take forward to Cabinet.
- 4.7 Bath and North East Somerset held a whole-day panel meeting to consider Service Action Plans and to discuss reports on service and financial planning for 2009/10.
- 4.8 Comments from this Panel were forwarded to the Corporate Performance and Resources O&S Panel, who considered the Corporate Plan refresh alongside Report on Medium Term Service and Resource Planning 2011/2012 and Budget and Council Tax 2009/2010.
- 4.9 Some Councils establish a task group each year to review how to improve budget scrutiny process.

Timing and availability of information

- 4.10 A number of local authorities start budget scrutiny earlier in the financial year than Brighton and Hove; 25 November being the earliest (Medway Council) that reports were presented to Cabinet, with O&S Committees discussing them in early December.
- 4.11 The Bristol City Cabinet 2009/2010 revenue budget proposals report was sent to all Council Members on 9 December 2008. The 15 December Resources Scrutiny Commission noted the report and discussed proposed efficiency savings from the 2008/2011 medium term financial plan also setting a schedule of 3 meetings (12,16 and 19 January) for briefings by Service Directors on current and future planned spend.
- 4.12 Swindon's Leader and Deputy Leader replied to questions on the Draft Revenue Budget Proposals, Capital Programme and Treasury Management Strategy for 2009/10 at a 15 December Scrutiny Committee.
- 4.13 Derby City Council divides its budget proposals three ways for accessibility; by Directorate, Cabinet Portfolio and by OSC to provide information to the relevant scrutiny commission. In January and early February each of the 6 OSCs considered the budget proposals relating to its portfolio, including pressures and savings and heard from senior officers and Cabinet Members. A finance sub-committee of the Scrutiny Management Commission looks at the detail of budget proposals.
- 4.14 The 27 January Scrutiny Management Commission commented on

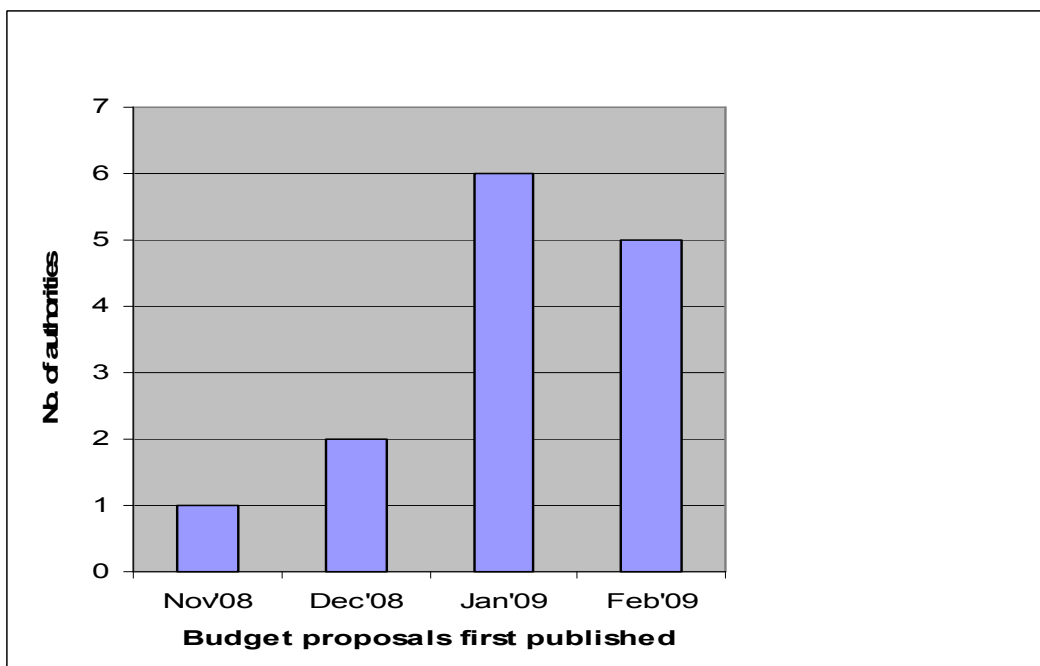
- Detailed Revenue Budget 2009/10-2011/12 proposals
- Capital Budget 2009/10-2011/12 proposals
- Environmental Services Capital Programme 2009/10 – 2011/12
- Recommendations made by the other OSCs on the Revenue and Capital
- Budget Proposals 2009/10-2011/12
- Revised Asset Management Plan
- Corporate Plan 2008-11 Updated Action Plan

4.15 That Council on 17 February agreed to incorporate SMC recommendations in approving the Updated Corporate Plan alongside the 3-year budget proposals.

4.16 Other Councils in addition to Brighton and Hove published budget proposals less than five working days prior to the OSC meeting and allowed only a few days for comments to be forwarded for consideration by Cabinet.

4.17 Scrutiny Panels at Bournemouth Borough Council make specific proposals throughout the year, which feed into the budget scrutiny report to February Cabinet.

4.18 The chart below shows the first publication, by month, of draft budget proposals for 14 unitary authorities comparable to Brighton & Hove.



Involvement of Cabinet Members and Senior Officers in Budget scrutiny

- 4.18 Two full-day budget scrutiny meetings of Resources and Performance Overview and Scrutiny Panel were held by Plymouth City Council in February. The Panel made 21 recommendations having scrutinised:
- Corporate Plan 2009-2012;
 - Corporate Asset Management Plan and Capital Strategy 2005-2015 incorporating the Capital Programme 2008/09-2013/14;
 - Treasury Management Strategy Statement and Investment Strategy 2009/10;
 - 2009-2010 Revenue Budget;
- 4.19 The sessions included an overview of the corporate and financial planning process, involving the Leader and Chief Executive, with separate challenge sessions involving Cabinet members and Directors for each service area. The concluding scrutiny session involved the executive team of the Leader, Cabinet Members, the Chief Executive, the Assistant Chief Executive and the Director for Corporate Resources
- 4.20 Another Council's Scrutiny Committee held four question and answer sessions with 5 Cabinet Members including budget priorities, relevant budget books and details of consultations undertaken to support budget measures.
- 4.21 Bournemouth Borough Cabinet Member for Resources attended 8 overview Panels in the last cycle of meetings to discuss the budget update and medium term financial plan as part of the budget consultation process.
- 4.22 Many authorities have established reviews of how the Council's budget is determined. In addition to Member's specific queries Bristol City Council uses standard generic questions for budget scrutiny,
- Risk and Mitigation
 - Projected Over/Underspends and effect in 2009/2010
 - Significant 2009-2010 Budget pressure and Amelioration
 - Delivery of Efficiency Targets
 - Staffing Levels and Service Implications
 - Main Areas of Service Improvement and Prioritisation of Funds
 - Other options considered

Examples of Public consultations

- 4.23 Swindon Borough Council conducted a consultation on budget proposals for 2009/10 with residents and stakeholder from 2 December 2008 until 6 February 2009. Feedback was in the form of emails and letters to the Council and also via a website form.

- 4.24 Consultation at Blackpool on the Revenue Budget 2009/10 was undertaken with the general public via Your Blackpool website, January round of Area Forum meetings, and a joint meeting of the Audit and Policy Overview and Scrutiny Committees with union representatives on 13 February .
- 4.25 Plymouth City's 14 Corporate Improvement Priorities (CIPs) were one factor in allocating resources. Officers met the 8 Area Committees and Youth Parliament during the autumn and asked for their top 3 priorities/suggestions for new priorities. CIP were then ranked and reported to Cabinet.
- 4.26 Southend-on-Sea Executive meets annually with residents and rate-payers to discuss budget proposals.
- 4.27 Some authorities did not formally consult with residents and some are looking to improve and widen engagement during 2009/10 and for the future.

5. SUMMARY OF EXAMPLES

- 5.1 Set out below is a summary of the examples presented in the report.
1. Reporting of budget proposals relevant to the portfolio of each scrutiny committee in addition to draft corporate budget
 2. Information for scrutiny earlier in the financial year
 3. Full-day scrutiny meetings, focussing on each Directorate
 4. Discussion of proposed efficiency savings
 5. Considering Budget Proposals alongside other key plans and strategies; e.g. Service plans, MTFs, Corporate Plan Refresh and Council priorities
 6. Question and Answer sessions with senior officers and Cabinet members
 7. Generic questions for budget scrutiny
 8. Specific proposals from O&S activity throughout the year, to go forward early into the budget –setting process
 9. Finance Sub-committee of Overview and Scrutiny

6. CONSULTATION

- 6.1 Senior Finance Officers have been consulted on this report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 These are contained in the main body of the report.

Legal Implications:

7.2 These are contained in the main body of the report.

Equalities Implications:

7.3 There are no direct sustainability implications to this report.

Sustainability Implications:

7.4 There are no direct sustainability implications to this report.

Crime & Disorder Implications:

7.5 There are no direct crime and disorder implications to this report.

Risk and Opportunity Management Implications:

7.6 There are no direct crime and disorder implications to this report.

Corporate / Citywide Implications:

7.7 The Council's budget impacts on levels of Council Tax and service levels and therefore has citywide implications.

SUPPORTING DOCUMENTATION

Appendix 1 – Extracts from Centre for Public Scrutiny (CfPS) publication 'Scrutiny of Budgets and the Budget Setting Process'

Appendix 2 – Budget Update and Budget Process 2009 – 2010 Report to Cabinet 9 July 2009

Extracts from Centre for Public Scrutiny publication ‘Scrutiny of Budgets and the Budget-setting process’

Effective budget scrutiny can help to generate efficiency savings, provide better value for money to a range of stakeholders and ensure that local decision makers are accountable for decisions regarding budget allocations.

Budget Setting Process and Determining Priorities

Scrutiny Committees should have a role in helping to determine spending priorities and the determination of the local authority’s annual budget.

Scrutiny Committees can be involved in discussions around overall corporate priorities at the beginning of the budget process through to the development of detailed budget proposals and the finalisation of service plans in accordance with the agreed budget.

Scrutiny Committees can also have a role in reviewing the budget setting process and assessing the extent to which it is aligned to the Council’s other key plans and strategies and enables sufficient consultation with stakeholders including citizens.

Possible areas to consider

1. What are the major risks to the authority short/medium/long term financial strategies and what action is being taken to mitigate them?
2. How does the local authority’s budget allocation to specific service areas compare with similar Authorities?
3. Is there evidence of funding being directed towards the local authority’s priorities?
4. Is the local authority providing services above the statutory minimum standard that were not local priorities?

Budget Monitoring

Possible areas to consider

1. To what extent has spending been in accordance with the agreed budget?
2. Are there any significant underspends/overspends and if so what are the reasons behind this and is any action being taken to address this?
3. Are there areas of the budget that require more in-depth scrutiny or regular monitoring by the scrutiny committee?

4. Have additional resources been diverted to specific service areas/projects and what outcomes were generated from the additional expenditure?

Challenging the costs of service delivery

Possible areas to consider

1. How does the budget for the service compare with the budgets for similar services in other local authorities?
2. What is the annual budget spend on this service as a percentage of the council's total budget?
3. Is the service a priority for the local community?
4. Have any alternative forms of service delivery been considered such as partnership working in order to reduce costs?
5. Are financial/service plans aligned with the human resources policies plans and strategies?

Reviewing Medium and Long Term Financial Planning

Scrutiny Committees also have a role in reviewing the robustness of medium to long term financial plans. This can include an assessment of the mechanisms in place to deal with the potential financial impact of issues such as climate change, an ageing population or waste management. In doing so Scrutiny committees could review the medium to long term financial pressures facing the local authority, the current financial position of the local authority and how the local authority intends to respond to the identified financial pressures.

Possible areas to consider:

1. Does the Council have a medium/long term financial strategy?
2. What are likely to be the local authority's main medium/long term financial pressures and what is the estimated cost to the local authority likely to be?
3. How well is the local authority placed to respond to major medium/long term financial pressures?
4. Are the local authority's financial reserves sufficient to guard against medium-long term financial risks?

5. Are the local authority's medium and long term financial plans aligned with human resources plans policies and strategies?

Helping to determine and Monitoring the Capital Programme and Asset management Plan

Scrutiny Committees can perform a number of roles. These can include:

- a) Reviewing and monitoring the asset management plan/capital investment strategy
- b) Examining the approach to the implementation of the Prudential Code
- c) Examining the relationship between the asset management plan and the capital programme
- d) Reviewing the allocation of resources to capital projects
- e) Monitoring progress made in respect of individual major capital projects
- f) Reviewing the process by which the capital programme is determined
- g) Reviewing the mechanisms that are in place to ensure that capital projects are completed on time and within budget
- h) Reviewing the impact on existing and proposed capital projects on future annual revenue budgets

Possible areas to consider:

Who was consulted in the development of the current capital programme and how robust was this consultation?

How does the selection of capital projects link to the council's corporate priorities?

In what ways has good practice been sought and implemented in the management of the capital programme?

Who is responsible/accountable for the delivery and management of (a) the capital programme as a whole and (b) individual capital projects?

Budget Scrutiny and Partners

As part of the local authority's community leadership role scrutiny committees may also wish to examine the budgets of partnerships that the local authority is involved in. In relation to a specific partnership scrutiny committees may for example wish to establish the relative levels of financial contributions from partners, the budget management and accountability arrangements for the partnership and how the partnership can demonstrate outcomes as a result of its expenditure.

Tips for budget scrutineers

Establish a timetable for scrutiny involvement on the budget setting process which enables scrutiny committees to consider the development and publication of draft service plans as well as the draft council budget

Provide all scrutiny committees with an opportunity to comment on relevant areas of the budget but try to ensure that the scrutiny process can take an overall perspective on the local authority's budget

Have clear terms of reference for scrutiny activity relating to the budget

Scrutinise the budget process and timetable against best practice to ensure it encourages efficient scrutiny

Consider the management of risk in relation to the budget and how funding is allocated to mitigate against key risks.

Monitor the budget during the year against initial projections and where overspends and underspends are identified challenge the reasons behind them to ensure that spending is effectively contributing to corporate and community priorities

Make sure that scrutiny committees are provided with sufficient information to provide effective challenge. This can include comparison with other local authorities and details of how the local authority's/ service area efficiency savings compare with other local authorities/service areas.

