

# OVERVIEW AND SCRUTINY COMMITTEE

## Agenda Item 20

Brighton & Hove City Council

<b>Subject:</b>	<b>Financial Implications of Scrutiny reports</b>		
<b>Date of Meeting:</b>	<b>10 September 2012</b>		
<b>Report of:</b>	<b>Strategic Director Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Tom Hook</b>	<b>Tel:</b> 29-1110
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<b>Ward(s) affected:</b>	<b>All</b>		

### FOR GENERAL RELEASE

#### 1. SUMMARY AND POLICY CONTEXT:

- 1.1 At the 16 July 2012 OSC members requested an investigation into whether scrutiny panel report recommendations should be costed when they are reported to the parent scrutiny committee.
- 1.2 At present whilst financial issues are generally understood by the scrutiny panel, detailed financial implications are not added until the report is presented to the policy committee.

#### 2. RECOMMENDATIONS:

- (1) That Members note the report.
- (2) That Members agree that due attention is given to financial implications during the scrutiny panel process and in developing recommendations.
- (3) That Members agree that scrutiny panels are not required to formally cost all recommendations.

#### 3. BACKGROUND INFORMATION

- 3.1 Scrutiny panels are established by an overview and scrutiny committee to investigate a specific issue; under the new governance arrangements either OSC or HWOSC, previously any of the six scrutiny committees.
- 3.2 Panels are required to report back to their parent committee to have a final report and recommendations endorsed. These are then sent to the executive to be agreed or not.
- 3.3 At the 16 July OSC meeting there was some debate as to the most appropriate part of the process at which to consider fully the financial implications of scrutiny recommendations.

- 3.4 At present, whilst most scrutiny reports will discuss financial aspects of the recommendations, the detailed analysis by finance officers takes place when the report is presented to the executive committee.
- 3.5 Scrutiny recommendations are developed from evidence received. Well over 90% of all scrutiny recommendations have been agreed either wholly or in part by the executive committees.
- 3.6 In developing this report a random sample of 15 different local authority scrutiny reports were reviewed to establish at what point in the process financial implications are prepared.
- 3.7 Our current method appears to be in line with most other local authorities – financial implications are not usually specified at the scrutiny recommendation stage but rather at the stage when the decision-makers/ policy committees are considering the recommendations and seeking the necessary resources.
- 3.8 There are a number of reasons for this:
- Scrutiny panels have a number of possible objectives – amongst which are to challenge and present sometimes controversial ideas. Detailed financial information can detract from the key message that a scrutiny panel is seeking to address.
  - Presenting the cost of a recommendation as an amount presents a very black and white picture which can detract the focus of attention and result in dismissal of an idea before all the benefits and issues have been explored. This also ignores the fact that there are usually a number of ways of implementing a policy/objective/target that can reduce the financial resources required. For example the implications of a ‘simple’ additional post recommended by scrutiny could include whether or not it is a short-term requirement or a permanent post; whether it is an internal role incurring on-costs or if it could be provided via a partner or third sector organisation or contained by restructuring the work of a wider team.
  - Whilst a scrutiny recommendation may be costed as requiring a set amount, it would need to be taken in the context of a much wider, and generally far larger budget.
  - Therefore, a recommendation with a firmly attached figure ‘the cost of implementation is £X’ could be more open to early rejection on the basis of cost when cheaper options might be available.
  - It is standard practice in many responses to a recommendation for it to be agreed in principle. The detailed funding and implementation are then modelled during the annual budget setting process or during subsequent strategy development.
  - Presentationally it would be quite easy for the executive to present a recommendation as expensive – especially in a time of fiscal constraint – whilst ignoring the wider financial context of the service.

- Whilst witnesses and senior officers are asked to comment on drafts, scrutiny reports are drafted by scrutiny officers based upon the direction of Members. Judgements on evidence, practicalities and desirability of recommendations are therefore clearly independent of decision-makers. Adding financial implications would have an impact on this independence.
- Other than during scrutiny of the budget, finance officers are not normally required to provide detailed evidence to Scrutiny Panels or to be present in workshops or at O&S Committee meetings.
- There are also resource implications for finance officers themselves, in establishing finance aspects of different models of service delivery. A specialist finance officer providing implications for scrutiny is likely to be the same person as provides implications for the decision-maker.

3.9 Where possible, scrutiny reports do consider financial aspects of an issue and look to provide broad estimates, areas of potential losses of income and/or costs of development with suggestions for low-cost options.

3.10 Detailed financial implications are modelled as part of the implementation proposals for agreement by policy committee.

3.11 However there is room for scrutiny panels to undertake more explicit consideration of the financial aspects of their deliberations.

#### 4. CONSULTATION

4.1 No consultation has taken place in drafting this report beyond discussions with scrutiny officers in other local authorities.

#### 5. FINANCIAL & OTHER IMPLICATIONS:

##### Financial Implications:

5.1 There are no direct implications arising from the report itself. As noted under legal implications below, as members are not making decisions it is sufficient to ensure that an appropriate level of advice and support is provided to enable the scrutiny process to operate effectively, including consideration of financial implications. However, detailed costing or financial analysis of a range of options is unlikely to be appropriate or necessary in most cases until recommendations reach the appropriate policy committee.

*Finance Officer Consulted: Nigel Marvell*

*Date: 08/08/12*

##### Legal Implications:

5.2 The requirement to take professional advice from officers (including finance officers) is one of the principles underpinning all **decisions** made by the council. Similarly, the code of conduct for members requires that when reaching **decisions** on any matter, members must have regard to any relevant advice provided to them by the authority's chief finance officer.

It follows that where members are not making decisions, the above principle and provision under the code of conduct would not apply. Hence, where members of a scrutiny panel are formulating recommendations only, they are not obliged to seek, or incorporate into their recommendations, the financial advice of officers.

The controls relating to decision making mentioned above apply only when the parent committee takes a decision based on the panel's recommendations.

*Lawyer Consulted:*

*Oliver Dixon*

*Date: 07/08/12*

Equalities Implications:

5.3 None directly in relation to this report.

Sustainability Implications:

5.4 None directly in relation to this report.

Crime & Disorder Implications:

5.5 None directly in relation to this report

Risk and Opportunity Management Implications:

5.6 None directly in relation to this report.

Public Health Implications:

5.7 None directly in relation to this report.

Corporate / Citywide Implications:

5.8 None directly in relation to this report.

**SUPPORTING DOCUMENTATION**

**Appendices:**

**None**