

SCRUTINY MANAGEMENT BOARD – 6TH MARCH 2019

Report of the Strategic Director of Corporate Services

Part A

ITEM 12 SCRUTINY OF THE COUNCIL'S BUDGET

Purpose of the Report

To consider options for how the budget scrutiny process should operate for the 2020/21 budget.

Action requested

That the Board notes the contents of this report and considers how the budget scrutiny process should operate for the 2020/21 budget.

Background

Setting the Council's annual budget is a statutory requirement and a key corporate activity leading to the publication of corporately significant Cabinet and Council reports. This report is designed to inform the Board in its role of facilitating effective scrutiny of the budget by councillors.

Budget Scrutiny Process

The Budget Scrutiny Panel process agreed by the Board for the scrutiny of the 2019/20 budget, and subsequently amended by the Panel was as follows. The process was different to that followed in previous years because of the decision taken by the Council to establish a Loughborough Area Committee. The Committee's roles include considering the draft budget proposals regarding the Loughborough Special Expenses for the forthcoming financial year.

Panel Meeting 1 – 26th June 2018

Focus: Scrutiny of outturn information for the 2017/18 financial year in respect of the Council's revenue (General Fund and Housing Revenue Account (HRA)) and capital budgets.

Information received: Reports of the Head of Finance and Property Services setting out the revenue outturn position of the General Fund and HRA for 2017/18, and the Capital Plan outturn for 2017/18 which had been considered by the Cabinet on 14th June 2018, and a summary of the revenue outturn position for 2016/17.

Panel Meeting 2 – 2nd October 2018

Focus: Scrutiny of the draft Medium Term Financial Strategy (MTFS) including a review of the underlying assumptions and the implications of the calculations for efficiency plans and future budgets.

Information received: Report of the Strategic Director of Corporate Services setting out the draft MTFS 2019 to 2022 which had been agreed by the Cabinet on 13th September 2018.

Panel Meeting 3 – 12th December 2018

Focus: Scrutiny of the draft General Fund and HRA budgets including inviting relevant Cabinet Lead Members and officers as witnesses. This meeting replaced the informal discussion that was in the timetable agreed by the Board to bring forward the Panel's consideration of the draft revenue budgets and, therefore, give itself more time to consider the content of its draft report.

Information received: Report of the Head of Finance and Property Services setting out the draft General Fund and HRA Budgets 2019/20 considered by the Cabinet on 13th December 2018.

Panel Meeting 4 – 8th January 2019

Focus: Consideration of the Panel's draft report and finalisation of its conclusions and recommendations.

Background Papers: None

Officer to Contact: Simon Jackson
Strategic Director of Corporate Services
01509 634699
simon.jackson@charnwood.gov.uk

Part B

Outcome of the Budget Scrutiny Process for the 2019/20 Budget

1. The Budget Scrutiny Panel (BSP) process ran in line with the process outlined in Part A of this report, the principle departure from the original proposals being the replacement of the informal meeting planned for December with more formal scrutiny of the draft budget. As noted in Part A, this modification was designed to allow the Panel more time to consider its draft report. As noted in Part A, the budget scrutiny process for the 2019/20 budget was the first since the establishment of the Loughborough Area Committee. Generally, the BSP process appeared to be reasonably effective with members having adequate time and opportunity to scrutinise the budget through its development. However, the new scrutiny structure (referred to in more detail below) offers the opportunity to evaluate and reinvigorate the budget scrutiny process in future years.
2. At its meeting held on 23rd January 2019, the Board considered a report of the Budget Scrutiny Panel and supported its findings and recommendations. At its meeting held on 14th February 2019, the Cabinet considered the findings and recommendations of the Budget Scrutiny Panel and resolved the following (See Cabinet Minute 83, 2018/19):

RESOLVED that the Panel's view that there should be a statement in the next Medium Term Financial Strategy regarding the Council's future approach to the need for further savings or income generation and the use of reserves be agreed.

Reason

To enable a context to be provided for future decision making and inform scrutiny of the Council's budgets and other financial matters.

3. The Cabinet was also presented with the Panel's 8 conclusions not requiring further action but did not refer to these in making its resolution. A report formally setting out the Cabinet's response to the report appears elsewhere on this agenda.

Officer Comments on the Budget Scrutiny Panel Process

4. Officers believe that members of the Panel were given adequate information and explanations, and an appropriate amount of time, to enable them to scrutinise the budget proposals effectively and the meetings to scrutinise the MTFS and budget proposals worked adequately.
5. Overall, officers consider that the budget scrutiny process has worked adequately in respect of the 2019/20 budget.

6. At its meeting on 23rd January 2019, the Board considered proposals for a revised scrutiny structure. The Board supported those proposals and submitted them to Full Council on 25th February 2019 for approval. Full Council agreed the revised structure as proposed.
7. The new scrutiny structure will be implemented from the start of the new Council year and could have an impact on how the budget scrutiny process is organised. The new scrutiny structure is based on the Council's directorates and there will therefore be a Corporate Services Scrutiny Committee. The remit of that committee includes responsibility for scrutinising all the services delivered by the relevant directorate, including finance and budgets. The budget scrutiny process could therefore be undertaken by the committee or a sub-committee of it. Alternatively, the process could be delivered by a task and finish panel as it has in previous years, although it is assumed that Corporate Services Scrutiny Committee will wish to scrutinise the budget within their regular cycle of meetings as far as is possible.
8. It is envisaged that the new scrutiny committees will meet on a quarterly basis. Provisional dates of the Corporate Services Scrutiny Committee have been suggested as follows:
 - Quarter #1: 25 June 2019
 - Quarter #2: 17 September 2019
 - Quarter #3: 3 December 2019
 - Quarter #4: 25 February 2020
9. In practice, it can be expected that the development of the budget may not (depending on what aspects of the budget members choose to scrutinise) lend itself to a scrutiny process based on a regular cycle of quarterly meetings. Assuming the provisional dates (above) prove accurate, and assuming members wish to scrutinise similar aspects of the budget to previous years then a pro forma budget scrutiny process might be constructed as follows:

Pro forma budget scrutiny process

<i>Meeting</i>	<i>Budget scrutiny topics</i>	<i>Dates (provisional)</i>	<i>Comments</i>
Regular CSSP meeting Q#1	1. Quarter 4 / final outturn in respect of the previous financial year: <ul style="list-style-type: none"> • Revenue • Capital • Housing Revenue Account 2. Process – development of the Medium Term Financial Strategy (MTFS) and 2020/21 budget	25 June 2019	<p>The detail of prior year budget outturns can be considered as context for the development of the MTFS and following year's budget. (Outturn reports due for Cabinet meeting of 4 July should be published and available for scrutiny.)</p> <p>The planned methods for the development of the MTFS and budget could be discussed to assist future scrutiny activity.</p>

<i>Meeting</i>	<i>Budget scrutiny topics</i>	<i>Dates (provisional)</i>	<i>Comments</i>
			This may cover, in particular, what scenarios were to be considered, for example a budget based on statutory requirements, a budget based on maintaining services or a budget based on providing additional services to meet the Corporate Plan.
Regular CSSP meeting Q#2	1. Scrutiny of the Medium Term Financial Strategy (MTFS). This would comprise a review of the underlying assumptions and the implications of the calculations for efficiency plans and future budgets.	17 September 2019	<p>This MTFS scrutiny would be consistent with the approach adopted in previous years.</p> <p>Information to be provided by Leader/Cabinet Lead Member who will be invited to this meeting that will assist the Panel in scrutinising the policy background to and the rationale behind the MTFS being proposed.</p>
Regular CSSP meeting Q#3	1. Scrutiny of the draft General Fund and HRA budgets, and Capital Plan, for feedback to Cabinet as part of the final budget setting process.	3 December 2019	<p>This approach would be consistent with that adopted for the 2019/20 budget scrutiny.</p> <p>Provision dates for CSSP and Cabinet suggest that review of the draft budget could be carried out at the December meeting of the CSSP.</p>
Additional meeting	Consideration of draft report and agreeing recommendations.	January	<p>As adopted for scrutiny of the 2019/20 budget.</p> <p>It would be necessary to convene an additional meeting to allow feedback on the budget to be presented to the February Cabinet meeting.</p>