

SCRUTINY MANAGEMENT BOARD – 28TH MARCH 2018

Report of the Strategic Director of Corporate Services

Part A

ITEM 7 SCRUTINY OF THE COUNCIL'S BUDGET

Purpose of the Report

To consider if, and how, the budget scrutiny process should be modified for the 2019/20 budget.

Action requested

That the Board notes the contents of this report and considers if, and how, the budget scrutiny process should be modified for the 2019/20 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 last year (the scrutiny of the 2018/19 budget) was as follows:

Budget Scrutiny Panel Meeting 1

June. A meeting to provide context in respect of the Council's finances where Panel Members will be supplied with the following reports:

- Revenue outturn reports for the general fund and housing revenue account budgets for the financial year 2016/17
- Outturn report covering capital expenditure for the financial year 2016/17

Discussion topics

- The Council's financial position in context
- Methods used to construct the Medium Term Financial Strategy (MTFS) and budget to assist BSP members in their future approach to scrutinising these items.

Informal Meeting of Loughborough Councillors

September. A meeting to enable Loughborough councillors to put forward their suggestions on the Loughborough Special Expenses. Scrutiny Management Board supported those suggestions being prepared in advance of the meeting so that what was being requested and the reasons for and benefits of the suggestions were clearly presented and thought out, to ensure the consultation was as effective as possible.

Discussion topics

- Suggestions put forward for relay to relevant Lead Members and Heads of Service for feedback and potential inclusion in the draft budget.

Budget Scrutiny Panel Meeting 2

Early October, following publication of the draft Medium Term Financial Strategy (MTFS).

Discussion Topics

- How the MTFS was constructed.
- Key assumptions and sensitivities within the MTFS.
- Projected financing shortfall within the MTFS.
- The proposed approach being adopted in constructing the draft budget (to be presented to Cabinet in December).

Possible outcomes of Panel discussion

- Recommendations to Cabinet regarding changes to the MTFS to be considered when the final version of the MTFS is submitted in November after consultation.
- Recommendations to Cabinet regarding preparation of the draft budget for the following year.

Informal Budget Scrutiny Panel Meeting 3

December, following publication of the Cabinet report setting out the draft budget for the following year.

Discussion topics

- Potential areas where the Panel may wish to focus its scrutiny of the draft budget.
- Invitees for the next formal meeting of the Panel (to ensure appropriate Directors and Heads of Service of impacted areas are in attendance).

The informal Panel meeting also considered the input from Loughborough councillors in respect of the Loughborough Special Expenses element of the budget for the following year, through receiving the notes of that meeting.

Budget Scrutiny Panel Meeting 4

January. Meeting to discuss the matters identified at the informal December meeting.

Discussion Topics

- General Fund service areas identified as being significantly impacted by draft budget proposals (with relevant Heads of Service and Directors in attendance).
- Housing Revenue Account – overview of budget.
- Any proposed uses of reserves (balances).
- Proposed changes to the Borough Council Tax rates.
- Proposed changes to the constituent components of the Loughborough Special Expenses.
- Loughborough Special Expenses – overview of budget.
- Proposed Capital Plan (the biannual refresh of the plan being due)
- Other matters identified in the course of the informal meeting of the Panel in December.

Possible outcomes of Panel discussion

- Recommendations to Cabinet regarding changes to the budget to be considered when the final version of the budget for the following year is submitted in February after consultation
- Recommendations to Cabinet regarding changes to the process for developing the budget in future years.

Recommendation of the Budget Scrutiny Panel

The Budget Scrutiny Panel's report on its scrutiny of the 2018/19 budget (presented to the Scrutiny Management Board meeting of 24th January 2018) made a recommendation to the Cabinet in respect of the process for developing and scrutinising the Council's budget in future years as follows:

Recommendation

That the Cabinet be informed that alternatives should be investigated for the Loughborough Special Expenses arrangements in the future.

Reason

To explore how the money could be better spent in Loughborough and the surrounding areas.

(This recommendation was noted by Cabinet.)

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Part B

Outcome of the Budget Scrutiny Process for the 2018/19 Budget

1. The Budget Scrutiny Panel (BSP) process ran in line with the proposals agreed by the Board. Generally, the BSP process appeared to work well.
2. The informal meeting to allow Loughborough councillors to bring forward proposals in respect of Loughborough Special Expenses were well attended. However:
 - There was a clear level of frustration amongst Loughborough councillors relating to the restrictions on the choices and decisions they were empowered to make in respect of the Loughborough Special Expenses area (this matter is addressed subsequently in this report);
 - Although the meeting was designed to consider the proposals for Loughborough Special Expenses submitted in advance, no submissions prior to the meeting were received; ideas were discussed at the meeting but overall the process could be considered as less effective due to this factor.
3. At its meeting held on 24th January 2018, the Board considered a report of the Budget Scrutiny Panel and supported its findings and recommendations.
4. At its meeting held on 15th February 2018, the Cabinet considered the findings and recommendations of the Budget Scrutiny Panel and resolved the following (See Cabinet Minute 88, 2017/18):

RESOLVED

1. *that the Panel's recommendation that alternatives should be investigated for the Loughborough Special Expenses arrangements in the future, in order to explore how the money could be better spent in Loughborough and the surrounding areas, and the officer response to that recommendation be noted.*
2. *that the Panel's observations not requiring further action, set out on page 7 of the report of the Scrutiny Management Board and as amended by the Scrutiny Management Board, be noted.*

Reasons

1. *To acknowledge the Budget Scrutiny Panel's recommendation and the officer response to that.*
2. *To acknowledge the observations made by the Budget Scrutiny Panel, as amended by the Scrutiny Management Board.*

Officer Comments on the Budget Scrutiny Panel Process

5. 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.
6. The meetings to scrutinise the MTFS and budget proposals (held in June, December and January) worked adequately.
7. The informal meeting of Loughborough councillors held in September 2017 was not wholly effective. Loughborough councillors were evidently frustrated by the limits of their role in the budget setting process for the Loughborough Special Expenses area. Additionally, officers consider that the effectiveness of the meeting could have been improved if suggestions on the Loughborough Special Expenses budget had been circulated in advance of the meeting.
8. Overall, officers consider that the budget scrutiny process has worked adequately in respect of the 2018/19 budget, but that the method and process by which the Loughborough Special Expenses area budget is considered should now be reviewed via the new Loughborough Committee.
9. Officers suggest that the following process might be considered for future years:

Budget scrutiny (as operated in respect of the 2018/19 budget)

<i>Meeting</i>	<i>Discussion items</i>	<i>Approx date</i>	<i>Comments</i>
#1	Quarter 4 / final outturn in respect of the previous financial year: <ul style="list-style-type: none"> • Revenue • Capital • Housing Revenue Account 	May / June	The matter of budget underspends can be considered
#2	Scrutiny of the MTFS. This would comprise a review of the underlying assumptions and the implications of the calculations for efficiency plans and future budgets.	October	MTFS scrutiny is consistent with approach adopted in previous years It may be appropriate for the Leader/Lead Member to attend this meeting.
#3	INFORMAL MEETING This would comprise a review of the draft budget with a view to creating the attendee list and agenda for the formal meeting of the Panel in January	December	Essentially consistent with approach adopted in previous years
#4	Scrutiny of the draft General Fund and HRA budgets (and Capital Plan if appropriate) for feedback to Cabinet as part of the final budget setting process	January	General Fund and HRA budget scrutiny is consistent with approach adopted in previous years It may be appropriate for the Leader/Lead Member to attend this meeting.

Consultation with Loughborough Councillors

There appears to be an expectation gap amongst Loughborough councillors in respect of their influence over expenditure in the Loughborough Special Expenses area. This was manifest during the previous budget scrutiny process but has also been recognised more widely within the Council. In response, a Loughborough Committee has been created which has within its remit the ability to consider budgetary and financial matters relating to Loughborough, in line with its Terms of Reference. It is therefore suggested that consultation with Loughborough councillors in respect of the Loughborough Special Expenses should now be addressed under the auspices of this new Committee, which is due to have its inaugural meeting on 20th June 2018.