

SCRUTINY MANAGEMENT BOARD – 29TH MARCH 2017

Report of the Strategic Director of Corporate Services

Part A

ITEM 8 SCRUTINY OF THE COUNCIL'S BUDGET

Purpose of the Report

To consider if, and how, the budget scrutiny process should be modified for the 2018/19 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 2018/19 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 (2017/18 budget) was as follows:

Informal Meeting of Loughborough Councillors

June. To enable Loughborough councillors to discuss the proposed Loughborough Special Expenses for the following year.

Invitees to the meeting: The Leader of the Council, relevant Cabinet Lead Members, the Chief Executive and relevant Strategic Directors and Heads of Service.

Budget Scrutiny Panel Meeting 1

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.

Further Informal Meeting of Loughborough Councillors

November. To enable Loughborough councillors to propose items for the Loughborough Special Expenses for the following year having received the findings of relevant Heads of Service and Cabinet Lead Members following consideration of the ideas put forward at the earlier meeting with Loughborough councillors in June.

Informal Budget Scrutiny Panel Meeting

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 those meetings.

Budget Scrutiny Panel Meeting 2

January.

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.

- 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.

Variations to the Process

It should be noted that the scheduling of meetings was varied for last year where required to ensure that as many members as possible were able to attend.

Modification to the Process made by the Board 25th January 2017

The Board decided at its last meeting that the budget scrutiny process moving forward should include the Panel inviting the Leader and the Cabinet Lead Member for Finance and Revenues and Benefits to at least one of its formal meetings each year, to ensure that the Budget Scrutiny Panel has the opportunity to discuss and understand the political decisions behind budget proposals, with a view to its scrutiny of the matter being more effective. See Scrutiny Management Board Minute 30 2016/17.

Recommendation of the Budget Scrutiny Panel

The Budget Scrutiny Panel's report on its scrutiny of the 2017/18 budget made a recommendation in respect of the process for developing and scrutinising the Council's budget in future years as follows:

“That the process for developing the Medium Term Financial Strategy and the budget and for their scrutiny be reviewed so that they began earlier and incorporated matters such as:

- what drove priorities other than the Corporate Plan and how different priorities were weighted;
- what alternative scenarios had been explored before they had been prepared and what the rationale behind those scenarios was;
- what the appetite for risk was in investing where this could produce positive benefits and/or generate income;
- how the cost benefit analysis of such potential activities was undertaken.

Reason

To ensure that the processes were timely and robust.”

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Part B

Outcome of the Budget Scrutiny Process for the 2017/18 Budget

1. The Budget Scrutiny Panel process ran in line with the proposals agreed by the Board, with variation of scheduling of meetings where required to ensure that as many members as possible were able to attend.
2. The informal meetings to allow Loughborough councillors to discuss the proposed Loughborough Special Expenses with the Leader of the Council, relevant Cabinet Lead Members, the Chief Executive and relevant Strategic Directors and Heads of Service continued to work well. They afforded councillors of Loughborough wards the opportunity to be consulted on the proposed Loughborough Special Expenses for the forthcoming year and created clear separation between the Budget Scrutiny Panel process and ward member consideration of Loughborough Special Expenses.
3. At its meeting held on 25th January 2017, the Board considered a report of the Budget Scrutiny Panel and supported its findings and recommendations.
4. At its meeting held on 16th February 2017, the Cabinet considered the findings and recommendations of the Budget Scrutiny Panel and resolved the following (See Cabinet Minute 87, 2016/17):
 - “1. *that the Panel’s support for the following items, that they are affordable and are included in the proposed revenue budget be noted:*
 - *proposal for ongoing funding for the Voluntary and Community Sector Development Officer post to be included in the budget for 2017/18 and that the funding be split between Loughborough Special Expenses (75%) and the General Fund (25%) (Panel recommendation 1);*
 - *proposal for ongoing funding of an additional £20,000 for Loughborough Community Grants to be included in the budget for 2017/18 to be funded from Loughborough Special Expenses (Panel recommendation 2);*
 - *proposal for the following suggestions put forward by Loughborough councillors to be included in the budget for 2017/18 to be funded from Loughborough Special Expenses: (i) contribution to a Charnwood Forest Canal Heritage Plaque and (ii) Funding for Heritage and Conservation via recruitment of additional staffing resources (Panel recommendation 3);*
 2. *that the Panel’s recommendation that the process for developing the Medium Term Financial Strategy and the budget and for their scrutiny be reviewed, so that they begin earlier and incorporate a number of matters as set out, be noted, including that the Scrutiny*

Management Board had resolved to consider this recommendation at its meeting on 29th March 2017 as part of agreeing the process for scrutiny of the Council's budget for 2018/19;

3. *that the Panel's observations not requiring further action be noted.*

Reasons

- 1.&2. *To acknowledge the Budget Scrutiny Panel's recommendations and how they will be taken forward.*
3. *To acknowledge the observations made by the Budget Scrutiny Panel."*

Officer Comments on the Budget Scrutiny Panel Process

5. It would appear that the informal meetings held to allow Loughborough councillors to discuss the proposed Loughborough Special Expenses have met the expectations of Loughborough councillors with regard to their ability to influence the Loughborough Special Expenses budget. The perception of officers is that Loughborough councillors did feel appropriately engaged in the process and were satisfied with the overall outcome.
6. 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.
7. However, officers perceive that some members of the panel wish to have a greater opportunity to shape the budgetary decision making process and that a gap has arisen between the budget scrutiny process as designed, and the expectations of Budget Scrutiny Panel members.
8. Overall, officers consider that the budget scrutiny process has worked successfully in recent years, including in respect of the 2017/18 budget, but that it may now be worth amending the process with a view to scrutinising the budget on a more strategic basis, with the added context of actual expenditure and outturn performance.
9. Officers suggest that the following process might be considered for future years:

Budget scrutiny

<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 corollary of this would be the removal of equivalent agenda items from the Performance Scrutiny Panel This would be an additional meeting compared to previous years

<i>Meeting</i>	<i>Discussion items</i>	<i>Approx date</i>	<i>Comments</i>
#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 This meeting would also review the Revenue and Capital monitoring reports for Quarters 1/2	October	MTFS scrutiny is consistent with approach adopted in previous years It may be appropriate for the Leader / Lead Member to attend this meeting. Revenue and Capital monitoring reports need not come to Performance Scrutiny Panel on this basis.
#3	INFORMAL MEETING This would comprise a review of the draft budget and feedback from Loughborough councillors on the Special Expense area 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 This meeting would also review the Revenue and Capital monitoring reports for Quarter 3	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. Revenue and Capital monitoring reports need not come to Performance Scrutiny Panel on this basis.

Consultation with Loughborough Councillors

Officers' views are that there was no common understanding of the purpose and remit of the consultation meeting with Loughborough Councillors. Going forward it is suggested that a clearer distinction is drawn between the Loughborough Councillor budget consultation and the BSP process.

<i>Meeting</i>	<i>Discussion items</i>	<i>Approx date</i>	<i>Comments</i>
#A	INFORMAL MEETING Informal consultation for Loughborough Councillors re the Special Expenses area	September	One meeting only; this would be one fewer than previous years Ideas and comments would be relayed to relevant Lead Members and Heads of Service for feedback and potential inclusion in the draft budget A mechanism will be developed to ensure feedback is provided to Loughborough Councillors