



# RESOURCES OVERVIEW & SCRUTINY PANEL

## *Panel Report*

### Public

**Date of Meeting:** 15<sup>th</sup> October 2009

**Title:** Budget Scrutiny

**Report of:** Budget Scrutiny Task & Finish Group

**Report reference:** OS22/09

### **Summary:**

A key finding during the review of Scrutiny in early 2009 was that there was some dissatisfaction from Members on the effectiveness of scrutiny of the budget. It was considered that the most appropriate way of resolving this would be to carry out a piece of Task and Finish Group work considering how budget scrutiny could be improved. It was agreed that Resources O&S would lead on the review and that the task group would include two members from each of the three scrutiny Panels.

A draft report of the cross panel Budget Scrutiny task and finish group is attached. The report is draft because it has not been possible to get the comments of all the Task and Finish Group Members before circulating for this meeting – as such, amendments to the report may be tabled at today's meeting.

Members are asked to approve the report to be presented to the Scrutiny Chairs Group at their next meeting on 28<sup>th</sup> October 2009 prior to referral to the Executive. Any further comments from the Scrutiny Chairs will be presented alongside the report to the Executive.

### **Recommendations:**

Members are asked to

- approve the report and recommend it to the Scrutiny Chairs Group and subsequently to the Executive, requesting a formal response;

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# Overview and Scrutiny Panels

## Budget Scrutiny

# Recommendations

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Following a short Member-led review of Budget Scrutiny, we make the following recommendations:

## To the Executive:

1. That there should be many more opportunities for all non-Executive Members to be involved within the development of the Budget. For this to be successful, the involvement must be at an early stage – when the initial priorities have been established and the very first draft of the budget has been compiled. We consider that this would be best fulfilled by a series of workshops which are open to all Members.
2. That the Executive give further thought as to how the public can be better involved in developing the budget and consideration should also be given to participatory budgeting.
3. That, if resources allow, the draft budget is accompanied by a more accessible executive summary-type document which is more accessible for both Members and the public. It would also assist Members if the language used in the budget reports is made as straightforward as possible and always accompanied by a glossary explaining the key terms in Plain English.
4. That a recommendation is made to full Council to amend the Constitution so that if the three Chairs of the Scrutiny Panels agree to hold a joint meeting on any issue (and this might include budget issues) then such a meeting can be held.

## To the Scrutiny Chairs Group:

1. That continuous “bite-sized training” be considered for all Carlisle Members – if the development of the Budget is to involve all Members then this must be accompanied by quality training.
2. That on an annual basis, Scrutiny Members hold an informal session to consider how effective the budget scrutiny has been and, if appropriate to recommend changes in the scrutiny of the budget in future years. This session would also aim to involve Directors and Portfolio Holders in the discussions.
3. That the Medium Term Financial Plan should be circulated for information to all scrutiny Members, not just Resources O&S Panel, so that issues are highlighted to that Scrutiny Panel.
4. That when the Draft Budget is considered by Scrutiny that these meetings are a one item agenda, and that a joint scrutiny meeting may be convened to hear this Draft Budget, if the Chairs of Scrutiny agree.

# Introduction & Background

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A review of the Authority's scrutiny function was undertaken in 2008/09 during which a questionnaire was sent to all Members to gain their views of how scrutiny works in the Authority. A key finding from the questionnaires was that only 21% of scrutiny Members thought that the budget scrutiny process was effective.

The issue was further discussed at a workshop for Scrutiny Members as part of the review and many Members said that they felt the budget scrutiny started too late and so it was difficult to make any effective contribution. There was also some comment on how realistic it was to effectively scrutinise the budget in its entirety and that perhaps a more targeted approach would be more successful.

Following discussion at the workshop, it was considered that the most appropriate way of resolving this would be to carry out a piece of Task and Finish Group work considering how budget scrutiny could be improved with particular reference to examining best practice from elsewhere. It was agreed that Resources O&S would lead on the review and the task group would include two Members from each of the three scrutiny panels.

## *Members of the Task and Finish Group*

|                  |   |                       |
|------------------|---|-----------------------|
| Cllr Knapton     | } | Resources             |
| Cllr Cape        |   |                       |
| Cllr Hendry      | } | Community             |
| Cllr E Mallinson |   |                       |
| Cllr Glover      | } | Environment & Economy |
| Cllr Bainbridge  |   |                       |

Cllr E Mallinson was elected Chair of the Task and Finish Group at their initial meeting on 20<sup>th</sup> May 2009.

The process that Carlisle City Council has used to scrutinise the Budget has not changed for a number of years. Currently Resources O&S considers the whole budget (including the MTFP) with Environment & Economy and Community looking at the parts of the budget under their remit. Members of all scrutiny panels receive copies of all Budget Reports during November and December and comments are made to the Executive to take into consideration in compiling their draft budget. Resources O&S then considers the draft budget in January prior to the final budget being presented to Full Council for approval. Alongside this, the opposition prepare an alternative budget which is not subject to scrutiny. The 2009/10 budget reports comprised of nearly 300 pages.

Scrutiny Members have also been provided with training on an annual basis to assist them in their budget scrutiny including any training by the Audit Committee on Budget or Council Accounts.

## *Terms of Reference*

The Task Group agreed that their Terms of Reference would be:

- To gain an overview of the current process of budget scrutiny and to evaluate the effectiveness and positive outcomes.
- To examine how other Local Authorities involve Scrutiny Members in the Budget and Corporate Planning Process and identify where scrutiny has had an influence.
- To make recommendations on the future involvement of scrutiny in the Budget and Corporate Planning Process.

# Methodology

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The Task Group held the following sessions:

| Date                       | Attendees   | Purpose of meeting   |
|----------------------------|---|--|
| 20 <sup>th</sup> May 2009  | Task Group Members  | To agree Terms of Reference  |
| 17 <sup>th</sup> June 2009 | Task Group Members<br>Cllr J Mallinson, Portfolio Holder, Finance<br>Angela Brown, Corporate Director,<br>Corporate Services  | To gain the views of the current format for budget scrutiny and explore ways in which this could be improved.        |
| 30 <sup>th</sup> June 2009 | Task Group Members<br><br><b>South Lakeland DC</b><br>Cllr Janette Jenkinson<br>Emma Ludlum, Scrutiny Officer<br><br><b>Cumbria County Council</b><br>Cllr Lawrence Fisher,<br>Alan Gunston, Senior Scrutiny Manager,<br><br><b>Wychavon DC</b><br>Cllr Bob Banks<br>Cllr Rob Adams<br>Sheena Jones, Support Service Manager, | Session with representatives from other Local Authorities to obtain examples of how budget scrutiny works elsewhere. |
| 16 <sup>th</sup> July 2009 | Task Group Members  | To develop and agree recommendations   |

The Task Group were also provided with a copy of the following booklet to assist their review:

*On the Money: The Scrutiny of Local Government Finance, Centre for Public Scrutiny (June 2007)*

# Findings

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## Meeting with Portfolio Holder and Corporate Director

A session was arranged for Members of the Task and Finish Group to meet with the Finance Portfolio Holder and the Corporate Director, Corporate Services to discuss their views on how scrutiny had been involved in the Budget Process, the effectiveness of the input and changes that they would like to see with future involvement.

The broad timetable was explained to Members of the Task and Finish Group:

- Medium Term Financial Plan – August (this used to be presented in May/June but due to the end of year accounts this has moved back two months.)
- Review of Policy Documents – August (starting point)
- Directors and Portfolio Holders asked to look at savings and expenditure in order to prepare reports for Executive and Scrutiny in November.
- Comments by scrutiny considered by Executive in December
- Draft budget to Resources O&S Panel in January
- Considered by Full Council in February

It was acknowledged that the amount of paper that Members receive regarding the budget had been an issue. Reports have, at times, not been completed before deadlines for distribution and therefore Members have been receiving additional pages to reports.

The Corporate Director informed Task Group Members that the budget should not be seen as a once a year issue but should be viewed as an ongoing process whereby monitoring of the budget by scrutiny should build knowledge and feed into the budget setting process.

General consensus was that scrutiny's involvement in the Budget Setting and Budget Monitoring was worthwhile but could be improved. It was felt that Scrutiny should be more active throughout the year and make suggestions when monitoring the budget rather than waiting to the last minute. Scrutiny should be looking at the consequences of policies and be more focused. Meetings of the Chair/Portfolio Holder/Director could help to structure the scrutiny of the budget more effectively.

The Finance Portfolio Holder felt that if by starting the process sooner, concise and timely resolutions were made by Scrutiny then these will be considered seriously. Currently, resolutions are, at times, at the "point of no return" and therefore have little impact. Scrutiny should highlight alternatives and acknowledge consequences. It was acknowledged to Task Group Members that very few changes are made as a result of resolutions from Scrutiny.

Scrutiny Panels receive exactly the same reports as the Executive. It was agreed that currently Scrutiny tries to micro-manage the setting of the budget and should concentrate on picking out

relevant areas of policy. Members are there to determine policy and Officers manage the implementation of the policy.

Resources O&S Panel are currently the only Scrutiny Panel who look at the Medium Term Financial Plan and it was agreed that a process would need to be formulated so that the other scrutiny committees were involved at this point.

*It was suggested to Task and Finish Group Members that when the Budget is considered by Scrutiny it would be helpful if this was the only substantive item on the agenda. Cross Panel Meetings are also helpful although currently the constitution currently does not allow joint meetings of scrutiny panels and it was agreed that this was an area that the Task and Finish Group may make a recommendation on. There could then be a joint meeting of all Committees to produce a joint scrutiny response to the budget.*



## Session with Representatives from other Authorities

The Task and Finish Group invited representatives from Cumbria County Council, South Lakeland District Council and Wychavon District Council to attend a session with the Group to share elements of good practice. This meeting was held on 30<sup>th</sup> June 2009.

### South Lakeland District Council

South Lakeland District Council completed a review on Scrutiny and Budget Process in February 2008 copies of which had previously been circulated to Members.

#### Key Points:

- South Lakeland District Council provided training lasting approximately 1 to 1½ hours on the Budget process for Members on a monthly basis (with the exception of August) until October. There was no mandatory requirement upon Members to undertake the training.
- The Budget process was now more in line with South Lakeland's Corporate Plan.
- A quarterly report was produced, in language which people could understand, providing the history and background to the various budgetary aspects (e.g. investments, variances). The report was circulated to the Cabinet, Shadow Cabinet and was also available on the Council's website.
- South Lakeland held public open days as part of their budget setting process which had been quite well attended.
- In practice scrutiny of the budget commenced in September last year, although the District Council would have preferred it earlier.

### Cumbria County Council

#### Key Points:

- Cumbria County Council in 2008 held three all Member Seminars in June, September and November.
- The issue of how much information should be provided to Members was key. At the June seminar Members received a broad brush picture of the key issues for the authority together with information on the gaps likely to be addressed.

- The September meeting was a pre-cursor to the Scrutiny thematic budget workshops which provided detail in a very palatable form on every budget line presented by the Directors. The workshops were based on the County Council's six broad themes and attended by the Corporate Director; Finance Officer and Director of Resources who presented a global corporate picture. Comparative reporting also formed an integral part of the workshops.
- The documentation was presented in a new style this year – one issue per page, very clearly written out for Members.
- The November seminar provided an opportunity for Members to see the draft Budget.
- Having attended the Seminars, Members had come to the workshops better informed and more in tune with the performance issues.
- The workshops were provided for all non-Executive Members. Members of the Cabinet may be in attendance to support the Corporate Director or defend decisions. The workshops tended to be quite informal and added value to the process, ensuring that Scrutiny Members were better informed.
- Members (especially opposition Members) had expressed a clear wish, two or three years ago, to become engaged in the process as early as was possible. Experience showed that opposition Members were prepared to voice concerns if their opinions were listened to and taken into account early on.
- A critical Cabinet meeting had taken place immediately following the workshops, when the Leader of the Council reported back on issues raised by non-Executive Members therefore providing a clear indication that input from Scrutiny informed the decision making process. This also addressed the previous complaint from Members that they had not received feedback on their issues.
- Formal scrutiny of the County Council's Budget was undertaken at the January meeting when it went out to public consultation.
- It is felt that Scrutiny Members had a very important part to play in the Budget process up to November; thereafter their role was different, namely one of challenging and monitoring public consultation.

## Wychavon District Council

### Key Points:

- The Audit, Performance and Efficiency Scrutiny Team (APEST) was politically balanced and very much Member led. Members of the Team had financial skills. It was open to any Member of the Council to come to a Scrutiny Committee.

- Wychavon District Council did not have an Audit Committee, monitoring of the Budget being undertaken by Scrutiny and APEST.
- A report entitled 'The Way Forward' pulled together various strands and refined the District Council's priorities and would be dovetailed into the Budget. The District Council was very aware that difficult choices would need to be made in terms of the Budget.
- Wychavon's Five Year Money Plan Update / Budget Parameters were considered by Council in July. A review of their Promises and Objectives was undertaken in November, the priority always being to minimise the effect on front line services.
- The District Council was concentrating on savings this year of around £1m and also needed to achieve efficiency savings year on year. Scrutiny was involved in looking at the list of proposals with a view to achieving those savings. The Conservative Group also had its own meetings and could feed comments into the process.
- Flood mitigation was a particular ongoing issue. There was also a need to ensure that some money was left to address issues of importance to Members.
- The autumn Budget consultation included a workshop for Councillors when consideration could be given to priorities and promises for the year ahead. . This year the decision was to do less, but better. A 'better not busier' concept had been agreed via the workshop and Way Forward report. A good example of that strategy was their Community Grant Scheme, which remained quite generous, but now covered a more diverse range of activity.
- Financial training for Members was provided (on an afternoon or evening) on a one to one basis if necessary. Training was particularly important for new Members, giving them an overview of the general structure and more particularly investments. All Members were expected to attend to apprise themselves of the continually changing position.
- In the summer of 2007 a SIMALTO budget consultation exercise had been carried out and used to further inform the 2008/09 Budget process.
- Provision of information to Members included a paper from the Director of Finance and Resources Portfolio Holder informing them of the current position regarding the District Council's investments. A quarterly 'Signals of Success' report was also submitted to the Executive and APEST.

# Conclusions

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The Task and Finish Group have undertaken a short, sharp Member-led review on scrutiny's involvement in the budget and by speaking to the Finance Portfolio Holder, Corporate Director and representatives from other Authorities, Members were in agreement that the process currently adopted by Carlisle City Council offers scrutiny, and other back-bench Members, relatively little input into the formulation of the Budget. Consultation with non-Executive Members is currently at "the point of no return" and therefore any recommendations are, at times, futile. Examples from the other Local Authorities involved in this review have shown that earlier involvement equals more knowledge and effective contribution.

The Task and Finish Group would therefore like to see many more opportunities for all Members (not just Scrutiny Members) to be involved within the development of the Budget. For this to be successful, the involvement must be at an early stage – when the initial priorities have been established and the very first draft of the budget has been compiled. We consider that this would be best fulfilled by a series of workshops (perhaps based around the areas covered by the current scrutiny panels or maybe some grouping of the divisions of the authority after the restructure) open to all Members and are making a recommendation to this effect.

Task Group Members were particularly impressed with the continuous "bite-sized training" used by South Lakeland District Council and are making a recommendation that this be considered for all Carlisle Members – if the development of the Budget is to involve all Members then this must be accompanied by quality training.

The Group were also impressed by the whole approach to the scrutiny of the budget by Cumbria County Council, particularly the workshops whereby Members were able to engage with and influence Cabinet.

In addition to the more extensive and early involvement of Members in developing the Budget, we also recommend that the Executive give further thought as to how the public can be better involved in developing the budget. In particular, consideration should be given to developing participatory budgeting.

In order to maintain a process of continuous improvement Members of the Task and Finish Group agreed that following the final budget-setting meetings and the approval of the budget at council Scrutiny Members hold an informal session to consider how effective the budget scrutiny has been and, if appropriate to recommend changes in the scrutiny of the budget in future years. This session would also aim to involve Directors and Portfolio Holders in the discussions. A recommendation is being made to this effect.

Task Group Members believe that the current constitution hinders the potential flexible working of scrutiny and at times a joint meeting of all Scrutiny Panels would assist in streamlining scrutiny working. At present it is not possible for the three scrutiny panels to hold a joint formal

meeting and the Task Group is therefore making a recommendation that the constitution is amended so that such a meeting can be held.

Task Group Members were informed of the importance of the Medium Term Financial Plan (MTFP) which currently is considered only by Resources Overview and Scrutiny Panel. Task Group Members did not feel that the MTFP should be scrutinised by all Panels but copies should be circulated for information to all other scrutiny Members. Resources O&S should then highlight, if appropriate, areas of concerns for remit of the Community O&S Panel and the Environment & Economy Scrutiny Panel.

Task Group Members were in agreement that the current reports were not particularly understandable and accessible and considered that the draft budget should be accompanied by a more accessible executive summary-type document which is easier to understand for both Members and the public. It was also agreed that it would assist Members if the language used in the budget reports is made as straightforward as possible and always accompanied by a glossary explaining the key terms and a recommendation is being made to this effect.