

OVERVIEW AND SCRUTINY BOARD

AGENDA ITEM: 11

DATE OF MEETING: 25th MARCH 2010

REPORT AUTHOR: MARK FARMER (SCRUTINY MANAGER)

SUBJECT: PROCESS FOR OVERVIEW AND SCRUTINY'S INVOLVEMENT IN BUDGET MONITORING AND DEVELOPMENT OF FINANCIAL STRATEGY

PURPOSE:

1. To outline the process for ongoing Overview and Scrutiny involvement with budget monitoring and the development of financial strategy

RECOMMENDATIONS:

2. The Board is recommended to:

- To establish a Finance Review Group to monitor delivery of the budget and be involved in the development of financial strategy
- Determine the number of members to be appointed to the group
- Review the work and membership of the group in February 2011 and yearly from there onwards
- That when considering matters relating to the development of the budget strategy, confidential draft options for savings and growth are provided to Overview and Scrutiny for comment, prior to specific budget proposals being developed, those options shall remain confidential to the members of the Board and the Finance Review Group

REPORT:

3. The Overview and Scrutiny Board at its 13th January 2010 meeting, asked the Scrutiny Manager to bring forward a report on the practical arrangements for Overview and Scrutiny being involved on a ongoing basis with budget monitoring, development of the budget strategy, Medium Term Financial Plan and Treasury Management.
4. The Overview and Scrutiny Board, through it's approval of the 'Operational Guide', have agreed that the purpose of the Board undertaking Overview and Scrutiny of Finance is to enhance the Council's decision-making process, when choosing its spending priorities, setting its budget, and using resources to deliver its policy objectives. It also aims to help improve the transparency and accountability of the

Council's use of taxpayers' money, by enabling the public to be informed, consulted and involved in local challenges and financial decisions, ensuring decisions are in the best interests of the community.

5. To ensure there is an effective and consistent process, Board established the following guiding principles. These are;
 - Recognising that budget monitoring and financial strategy development is an ongoing year long process, supported by a confidentiality agreement with the Executive and Departments, which allows timely relevant financial and service planning information to be provided for examination;
 - It provides a vehicle for public involvement, but will abide with its confidentiality agreement to consider sensitive information 'in private', when necessary;
 - It goes beyond numbers, helping the Council determine its spending priorities and annual budget to meet the needs of the area, and holding local decision-makers to account for their decisions;
 - It is critical, but constructive, focused on outcomes and the bigger picture, leaving detailed financial management to the finance professionals;
 - It is never an opposition tool, or about suggesting an alternative budget;
6. It is important to ensure that everyone involved with reviewing Overview and Scrutiny of finance has the knowledge and understanding of local government finance and its links to the delivery of Luton's long-term strategic vision - our Sustainable Communities Strategy (SCS) and the shorter-term priorities - our Local Area Agreements(LAAs) and Corporate Plan. The proposed timetable includes a number of development and briefing opportunities that will help review members understand this link. .
7. The proposed timetable includes a focus on ensuring that Overview and Scrutiny is able to examine and advise the Executive/ Council on the following key areas:
 - Links to Corporate priorities (alignment with the Sustainable Communities Strategy and delivery of the Local Area Agreement and Corporate Plan);
 - Risks and Pressures emanating from local and/ or national economic environments and government's public sector spending plan;
 - Medium Term Financial Planning;
 - Service efficiency, effectiveness and value for money;
 - The Capital Programme – Expenditure and Income;
 - Treasury management;
 - Public involvement and feedback on budget priorities;
 - Budget Priorities
8. Given that monitoring delivery of the budget, treasury management, development of the Medium Term Financial Strategy and development of the budget strategy is a year long process and it is recommended that a standing 'Finance Review Group' is established to undertake this work on behalf of the Overview and Scrutiny Board and that its work and membership is reviewed on a yearly basis by the Board.
9. The Icelandic banking saga demonstrated the vital importance of Treasury Management to a Council's overall financial planning and strategy. Having reviewed national lessons learned from the Icelandic situation, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a revised Treasury Management

code, and guidance. All Councils are required by regulation to have regard to that code.

10. The code requires the Council to amend its standing orders to record formally the body that will be responsible for the effective scrutiny of the treasury management strategy and policies. Overview and Scrutiny Board is therefore requested to determine that responsibility, and it is recommended that the Finance Review Group of Overview and Scrutiny Board is asked to undertake this task. Training in this area will need to be provided.
11. It is also proposed that the review group play a significant role in reviewing the delivery of efficiency savings and they also work to identify additional areas of efficiency to help the Council deliver a balance budget and invest in its priorities.
12. The process for monitoring the budget and for Overview and Scrutiny being involved with the development of financial strategy is proposed as being:
 - (a) In February
 - The Overview & Scrutiny Board considers/ reviews its involvement in the Council's finances and budget setting process from the previous year, and decide whether to make any changes to the work of the 'Finance Review Group' and review its membership, using the agreed process for appointing the membership of Task and Finish Groups;
 - (b) In April
 - The Head of Corporate Finance provides Group Members, an overview of local government finance;
 - Heads of Service provide Members, their written finalised service plans to show alignment with the agreed budget; (linked to VFM/ benchmarking info)
 - Following advice from the Head of Corporate Finance, Scrutiny Manager and the Luton Excellence Programme Manager; the Group decides on which areas of savings it wishes to review the delivery of and certain cases, the implementation of;
 - The Head of Strategic Planning, Policy and Performance informs Members on revisions made to Corporate priorities or the LAA and links to performance/financial issues;
 - (c) In June
 - The Chief Accountant presents group members with the end of year account information;
 - The Head of Corporate Finance provides group members with training in treasury management, and the group scrutinise the Treasury Management and Investment Strategies

(d) In August

- The Head of Corporate Finance provides group members with information on the treasury management and investment activity for scrutiny in light of policies and the strategy.

(e) In October

- The Head of Corporate Finance provides Members, an assessment of current and projected performance against major areas of the budget, identifying budgetary issues/ pressures and risks, to provide members with a forecast of future in year expenditure, and to enable the group to review the Medium Term Financial Plan in the light of that assessment;
- The Scrutiny Manager develops and presents an A3 project plan, outlining the detailed steps in order for the group to take part in the development of the next budget strategy;
- The Consultation and Engagement and Scrutiny Managers, advise the Board on public involvement, enabling it to commission timely actions, to inform the following year's spending priorities and Finance Review Group recommendations;
- The Head of Corporate Finance provides group members with an outline of the mid-year review of treasury management, practices and activities as required by the CIPFA code.

(f) In December:

- The Head of Corporate Finance provides Members, revised service plans and draft budget proposals for the following year, including proposals for savings and growth, in the light of the grant settlement and an analysis of what it means for the Medium Term Financial Plan;
- The Consultation Manager provides Members, the results of public involvement activities, identifying the preferences expressed by the people of Luton, on the following year's spending priorities;
- Members take evidence directly from selected Corporate Directors/ Heads of Service on key areas;

(g) In January:

- The Head of Corporate Finance provides Members, final overall and service area budget proposals.
- The Overview and Scrutiny Board considers the groups findings on the budget priorities and make recommendations/ provide advice to the Executive and Full Council to help decision –making.

LEGAL IMPLICATIONS

13. The finance review group will operate as a sub-committee of the Overview and Scrutiny Board and will be subject to the same rules and operational guidelines that apply to Task and Finish Groups. This includes appointing co-opted members of the Board as members of this review group. This was agreed with the Head of Legal Services on 11th March 2010.

FINANCIAL IMPLICATIONS

14. It is important to note that there is no budget available for consultation and engagement on the development of the budget strategy. Members will need to bear this in mind when determining the level and type of consultation.

EQUALITIES IMPLICATIONS

15. It is important to ensure that when the group carries out consultation on the development of the budget strategy, that it takes steps to strengthen its approach to engaging with citizens including those seldom heard and those who experience exclusion, disadvantage or discrimination. In accordance with good practice, the group also needs to analyse and consider any issues arising from EIA's resulting from growth or reduction proposals. This was agreed with the Head of Equalities on the 11th March 2010.