

26 November 2014

Audit and Scrutiny Committee

Budget Scrutiny Role

Report of: *Jo-Anne Ireland, Acting Chief Executive*

Wards Affected: *All Wards*

This report is: *Public*

1. Executive Summary

- 1.1 Effective scrutiny can add considerable value to how the Council makes decisions on the allocation of resources. This has become increasingly important as the Council continues to set budgets against a background of tough economic conditions and severe funding cuts from Central Government. The medium term financial planning process will need to address these continued financial challenges and develop a strategic approach to address funding gaps.

2. Recommendation(s)

- 2.1 That a Task and Finish Group is created to deal with the 4 main areas of the Budget:**

- (i) Proposed Savings**
- (ii) Proposed Budget Investment**
- (iii) Working Balance & Reserves**
- (iv) Council Tax**

- 2.2 That the Task and Finish Group report back to this Committee on 27 January 2015.**

3. Introduction and Background

- 3.1 The Finance and Resources Committee is responsible for the formulation of the policy and budgetary framework for approval by Council. It makes recommendations to Council on all strategic financing matters including proposing an overall revenue budget and capital programme and recommending the amount of Council Tax to be set.
- 3.2 After consulting stakeholders in a manner appropriate to the matter under consideration, the Finance and Resources Committee draws up initial principles and assumptions in relation to the budget.
- 3.3 The Audit and Scrutiny Committee will formulate responses to the Finance and Resource Committee's initial principles and assumptions.
- 3.4 The Finance and Resource Committee will then finalise its proposals for submission by way of recommendation to the Council taking into account the comments from the Audit and Scrutiny Committee. The report to Council must show the Finance and Resource Committee response to those comments.
- 3.5 Attached as Appendix A to this report is a copy of the timetable for the Budget process for 2015/16 detailing the key areas of responsibility in the process.

4. Issue, Options and Analysis of Options

- 4.1 The role of the Audit & Scrutiny Committee is *not* to review every single figure, but to test the choices made regarding resource allocation and how well resources are being used to deliver policy objectives¹. The Committee should however focus on the strategic issues in the context of its area and local challenges.
- 4.2 The Committee must seek to understand the relationship between costs and performance:
 - Does greater investment or higher costs equal greater customer satisfaction?
 - Do lower costs or disinvestment have a negative impact on service delivery or on perception only?

¹ The current Corporate Plan covers the period 2013 – 2016.

4.3 Due to the large scale of the budget exercise, it is proposed to divide the work into key areas, with specific outcomes. These are as follows:

Work Area	Expected Outcome
1) Review Savings Proposals	<ul style="list-style-type: none"> • Evaluate the impact of any savings proposed (see 4.2) • Test if the anticipated savings are realistic and achievable
2) Review Budget Growth Proposals	<ul style="list-style-type: none"> • Evaluate the impact of any new investment proposals (see 4.2) • Confirm that robust business plans are in place for new initiatives (and test the assumptions within them)
3) Review the working balance and reserve levels	<ul style="list-style-type: none"> • Review the risk assessments undertaken to inform the levels • Test the levels through benchmarking data with similar authorities
4) Review the Council Tax proposals	<ul style="list-style-type: none"> • Evaluate the financial impact of the proposal

4.4 It is therefore recommended that a Task & Finish Group is created to review each of the areas identified above. The Group could then report back on each of the 4 themes to the next meeting of this Committee scheduled for 27 January 2015. The feedback (and additional comments) arising from the meeting can then form the basis of the response to Finance & Resources Committee (as per paragraph 3.3).

4.5 It is not proposed that Audit & Scrutiny will look at the Housing Rent levels, as this will be considered separately by the Housing & Health Committee.

4.6 The Task & Finish Group (particularly Themes 1 and 2) will consider both General Fund and Capital. This is primarily because the two items are intrinsically linked. For example;

- Capital investment may attract on going revenue implications (e.g. Maintenance)
- New capital investment may require borrowing, and the financing costs of any such borrowing will be a pressure on the General Fund.

5. Reasons for Recommendation

5.1 Effective financial management underpins all of the priorities for the Council.

6. Implications

Financial Implications

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6.1 There are no direct financial implications arising from this report.

Legal Implications

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6.2 There are no direct legal implications arising from this report.

7. Appendices to this report

Appendix A – Budget Timetable 2014/15

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