

**Agenda Item No:** 5  
**Report To:** Overview and Scrutiny Committee  
**Date:** 25 July 2017  
**Report Title:** Preparations for the 2018/19 Budget Scrutiny Task Group  
**Report Author:** Senior Policy, Performance and Scrutiny Officer



**Summary:** The paper reflects on the lessons learnt from last year's budget scrutiny, and sets out the broad developments proposed to the upcoming O&S Budget Scrutiny Task Group (BSTG) process. The Committee is asked to endorse the principles set out in the report and the steps to enhance the effectiveness and inclusivity of budget scrutiny for the year ahead.

**Key Decision:** NO

**Affected Wards:** None

**Recommendations:** **The O&S Committee to endorse the proposed changes to the Budget Scrutiny Task Group process for 2018/19**

**Policy Overview:** The Overview and Scrutiny Committee has a duty to scrutinise the Council's draft Capital and Revenue budget.

**Financial Implications:** N/A

**Risk Assessment** No

**Equalities Impact Assessment** No

**Other Material Implications:** None

**Exemption Clauses:** N/A

**Background Papers:** None

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## Report Title: Preparations for the 2018/19 Budget Scrutiny Task Group

### Background

1. As set out in the Council's constitution, the Overview and Scrutiny Committee has a duty to scrutinise the Capital and Revenue budgets of the Council. In the past, the Budget Scrutiny Task Group has fulfilled this function by scrutinising the Council's draft Capital and Revenue budgets, making a judgment on them, and reporting back to the main O&S Committee.
2. The report from the Task Group may make recommendations to both the O&S Committee itself and also to Cabinet. Once endorsed by the main O&S Committee the report is then forwarded to Cabinet.

### Membership, Provisional Timetable and Meetings

3. The provisional timetable for 2018/19 is as follows:-

O&S budget training, BSTG setup and membership	26 September 2017
Report from Finance on Draft Budget Proposals to Cabinet	7 December 2017
Budget Scrutiny Task Group Process	After 7 December 2017
Task Group to report back to O&S	23 January 2018
O&S Budget report to Cabinet	08 February 2018
Full Council – set council tax	15 February 2018

4. Last year the Budget Scrutiny Task Group met six times between 13 December 2016 and 11 January 2017; all the meetings took place during the day. Because of the Christmas break, this is quite an intense set of meetings. The Task Group reported back to the main O&S Committee on 24 January 2017. The final report from O&S to Cabinet, making eight recommendations, was agreed by Cabinet on 9<sup>th</sup> February 2017.
5. With the help of Finance officers, Heads of Service and other officers, the Task Group examines all the Service plans and budgets, reporting back any areas of concern.
6. Any risks identified are put into a 'risk matrix' to show the probability of an issue occurring and the material impact it would have on the Council's budget if it did occur.

## Reflections on the 2017/18 BSTG process

7. In its report to Cabinet following BSTG's work, Overview and Scrutiny agreed that the sessions yielded much information on the challenges facing services across the authority and highlighted a number of common threads relating to the achievability of next year's budget. However it was also apparent that the process itself is a successful but intensive one, and that the majority of questions and observations made by Members during Task Group meetings were service-based rather than being focussed on the budget – elements which can be easily picked up by the full Committee outside of the Budget Scrutiny process.
8. In the final session of the BSTG, and at the January meeting of the Committee, Members made a number of suggestions on how the process could develop further to provide them with appropriate support to fulfil their constitutional obligations.
9. Accordingly, officers from Scrutiny support and the Head of Finance and the Principal Accountant met to incorporate these suggestions into a discussion on what had worked effectively, and what steps could be taken to refine the process further in the future.
10. The following reflections from Members and officers were agreed following this meeting -
  - a. Continue the use of the service plan template for budget scrutiny
  - b. Explore ways to make the BSTG process as thorough but less intensive, including the possibility of reducing the Task Group membership
  - c. Explore ways to ensure that all officers play a valuable and contributory role, including service accountants
  - d. Provide for more time between Task Group meetings to allow more time for preparation
  - e. For the Scrutiny and Overview Officer to develop, in conjunction with the Chairman, a protocol for identifying and capturing service questions for investigation at a later date
  - f. Further support to enable Members to conduct targeted budget scrutiny, such as the prioritisation of questions and working together to build on initial lines of questioning.

## Principles of Good Budget Scrutiny

11. In 2014 the Centre for Public Scrutiny reinforced that whilst “Cabinet review and approval of the annual budget and other financial plans provides democratic legitimacy, [it] cannot fulfil independent scrutiny”<sup>1</sup>. This is the overall purpose and guiding principle of budget scrutiny – testing how the council makes choices about allocating its resources, providing assurance to

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<sup>1</sup> CfPS, June 2014, “*Raising the Stakes – Financial Scrutiny in Challenging Times*”  
<http://www.cfps.org.uk/wp-content/uploads/Raising-the-Stakes.pdf> p.9

the organisation, the public and others that what the council is seeking to accomplish is achievable with the budget it has.

12. By scrutinising the budget alongside service plans and key risks, councillors have the opportunity to 'step back' and consider the relationship between costs and performance. Financial scrutiny should be challenging, but constructive; focused, but not micro-managing or second-guessing financial management that is the responsibility of finance professionals. Done well, this approach leads to better outcomes, better decisions and with better engagement.
13. Accordingly, the CfPS has developed the following key principles of what constitutes good financial scrutiny –
  - a. Address strategic issues
  - b. Consider the budget strategy within the context of challenges facing the council and people who live in its area;
  - c. Assess lessons and issues arising from previous years audited financial statements and related outturn reports;
  - d. Provide a constructive assessment of whether the council's financial planning systems are effective in delivering stated priorities – how are resources allocated and growth and savings dealt with;
  - e. Assess whether financial systems are reliable and accessible; and
  - f. Consider how financial and resource decisions are made, what assumptions and criteria are used and what information is taken into account.<sup>2</sup>

## **Proposed Developments for the 2018/19 BSTG**

14. Building on the suggestion in paragraph 10(f) it is proposed, in the first instance, that an independently-run workshop be held at the September meeting for all O&S Committee members, covering in further detail the aims of budget scrutiny and how to conduct effective questioning. This training would increase the insight all Overview and Scrutiny members have in the work of the Task Group, and assist the Committee in agreeing its membership.
15. Further to the reflections on last year's process set out above, a number of changes are also proposed below, for Members to consider –
  - a. Reducing the number of sessions
  - b. Acknowledging the recent structural changes across the organisation by reorganising sessions around Directorates rather than Services - with additional shorter sessions on major themes and general financial reports (capital charges etc)
  - c. Taking a risk-based approach, working with Directors and the Head of Finance (perhaps at the initial briefing session noted below) to identify key budget risks earlier in the process and follow these up through further enquiry at subsequent sessions
  - d. Explore the possibility of flexible timings for different sessions

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<sup>2</sup> Ibid, pp.12+13

- e. For service risk registers to be filtered by their 'financial' impact to highlight the most important budgetary risks
  - f. The use of a separate 'Annex' to the minutes for capturing service-related questions to be followed-up by the Committee at a later date via the Tracker and Workplan.
16. The Committee may also consider it desirable to arrange a briefing meeting of the Task Group with the Head of Finance (and Directors if desired) in advance of the Budget Scrutiny process commencing. This has been done in the past following the elections and Members said at that time that they considered it to be beneficial. For example, such an initial session could take Members through the service budgets and risks to highlight those areas of concern, in turn allowing for more focussed sessions on those specific issues within the subsequent meetings.
17. Members are encouraged to add further feedback if they so wish (either at the committee meeting or directly to the Scrutiny and Overview Officer).

## **Conclusion and Next Steps**

18. Taken together, the suggestions above (paragraphs 10, 15 and 16) seek to shift the overall focus of the Task Group from the intensive service-by-service approach of previous years to a more flexible, risk-based approach.
19. Following agreement with the Chair and Vice Chair, and if so endorsed by the Committee, officers will seek to explore how the suggestions in paragraphs 10, 15 and 16 might be incorporated into the upcoming budget scrutiny.

### **Recommended that:**

- (i) The O&S Committee to endorse the proposed changes to the Budget Scrutiny Task Group process for 2018/19**

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