

Scrutiny Committee – 4 December 2012

## 9. Budget Scrutiny

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### Action Required

That members of the Scrutiny Committee consider the information below in advance of the annual Budget Scrutiny Event which this year will be held on **Wednesday 12<sup>th</sup> December at 2.00 p.m.**

### Background

This is a short briefing note which aims to set out the basics of effective budget Scrutiny so that the annual Budget Scrutiny event is useful part of the council's budget setting process.

A copy of this note has been sent to all Portfolio Holders and Senior Managers to help with their preparation for the 12<sup>th</sup> December. The information provided is based on good practice guidance from the Centre for Public Scrutiny and CIPFA (Chartered Institute of Public Finance and Accountancy).

### What is budget scrutiny?

It is a vital duty of the scrutiny function that there is proper scrutiny and challenge of the Council's use of public money.

Budget Scrutiny is not about adding up figures. It is about how the council is making crucial choices about resource allocation and how well they are using resources to deliver policy objectives.

Understanding that the Council is spending the public's money wisely and is being seen to do so is vital for improving trust in local government. This means looking not just at how the budget is allocated, but how it is managed, how it is spent and the results of the spending.

Scrutiny can add value to the budget setting process by teasing out and making explicit whether the council is directing its resources effectively to meet its priorities and demonstrate whether it is achieving value for money. Scrutiny can also provide an additional and transparent challenge to the executive's management of the council's finances.

Budget scrutiny can be challenging:

- It is inherently political but has to find a role that is distinct from that played by the political groups within the authority;
- Some members are wary of budget scrutiny – they fear that it is too technical and beyond them; and

- It can highlight tensions between the Executive and the rest of the Council, between officers and members, and between service departments and the Finance team.

Budget Scrutiny should be critical but constructive, **it is not the same as being the opposition and is not about putting forward an alternative budget;**

Budget Scrutiny should be focussed, but not over detailed or seeking to micro manage or second guess the financial management that is the responsibility of the finance professionals.

Members should look to consider how financial and resource decisions are made, what criteria are used and what information is taken into account.

### **Potential Budget Scrutiny Questions**

On the 12<sup>th</sup> December 2012, we will be holding our second annual Budget Scrutiny event. This will follow the same format as last year's event with each Portfolio Holder giving a short presentation of the key budget decisions facing their service areas for the 2013/14 financial year.

There are three key questions that Portfolio Holders have been asked to consider in advance of the meeting, in relation to each of their budget proposals:

- 1) What is the likely impact of this proposal on service performance levels and the experience of service users ( i.e. will there be a reduction in service standards)
- 2) Has an Equality Impact Assessment of this proposal been conducted and any issues identified and addressed?
- 3) What consultation does the Portfolio Holder plan in relation to each of the proposals?

In addition to these three specific questions, Scrutiny members may wish to consider some more general Budget Scrutiny questions:

- Are there financial planning mechanisms in place so that decisions made about future service planning can be informed by the financial situation?
- Are there processes in place that ensure the budget and service plans are developed in parallel – thus ensuring that service delivery priorities are aligned with resource constraints?
- Are there sound processes in place to monitor progress against budgets throughout the year?
- What choices and options did you have when setting your budget targets? Why did you make the choices you did?
- How can our income be increased in a sustainable way?
- Are the risks associated with the budget decisions fully explored? Have adequate impact assessments been carried out?
- Have Executive members 'grasped the nettle' and made the necessary, if difficult, decisions?
- What service areas / activities will you be cutting / reducing spend on? What will the impact of these decisions be on our residents?

As always, this list is not exhaustive and members may wish to ask additional questions within the time allocated at the meeting on 12 December 2012.

The Budget Scrutiny Event is intended to be a constructive part of the budget setting process and as the financial decisions facing this authority become more and more challenging, this forum for discussion will hopefully become increasingly beneficial.

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