

Local Members' Interest

N/A

Corporate Review Committee – 2 April 2019

Proposals for Scrutiny of the Medium Term Financial Strategy and Annual Budget and Council Tax

Recommendations

1. The Corporate Review Committee is recommended to consider and agree the arrangements, processes and timescales for conducting scrutiny of the Medium Term Financial Strategy (MTFS) and Annual Budget and Council Tax, including the appointment of a Working Group.

Report of Scrutiny and Support Manager and Corporate Finance Manager

Report

Background

2. The Corporate Review Committee is responsible for scrutinising the approach to determine whether the County Council is allocating and using its resources effectively to achieve the priorities set out in the Strategic Plan. Specifically, this will involve:
 - a. scrutiny of the development of the Council's Medium Term Financial Strategy (MTFS), Annual Budget and Council Tax setting process;
 - b. scrutiny of how the Council manages its property and assets, including Treasury Management; and
3. In previous years, the Committee has appointed a Working Group to undertake scrutiny of the MTFS as part of its work programme. This report sets out proposals for how this scrutiny can be undertaken.

Best Practice

4. The Committee has undertaken budget scrutiny previously by appointing a Working Group which utilises an approach which has been refined over time and includes adopting a 'risk-based' approach to the interviews with Cabinet Members in order to make the most effective use of time. The original model was developed with reference to good practice elsewhere and in 2009 was shortlisted for the Centre for Public Scrutiny award for Finance Scrutiny.

Terms of Reference for the Scrutiny Review

5. Proposed terms of reference for scrutiny of the MTFS, based on previous experience, are set out below.

Scope

6. The scope of the work is to:
 - a. assist the Cabinet and County Council in the development of the Council's MTFS;
 - b. review the Annual Budget and Council Tax setting process; and
 - c. consider whether the County Council's business planning process supports good financial planning.

Intended Outcome

7. That Staffordshire County Council delivers a good and balanced budget which has been subject to robust scrutiny and challenge.

Lines of Enquiry

8. It is proposed that the Committee review and provide comment to the Cabinet on whether the budget is balanced and good by considering:
 - a. the financial strategy in the wider planning context (i.e. does the County Council's business planning approach support good financial planning);
 - b. by what processes the budget is constructed and decisions made;
 - c. what criteria, information and consultation shape the budget; and
 - d. whether resources are allocated according to identified priority.
9. Further criteria which might be used to judge whether a budget is balanced and good include:
 - a. income equals expenditure;
 - b. Cost reduction targets and investment proposals are credible and achievable;
 - c. key assumptions are "stress tested";
 - d. there is a medium term focus, supporting the Strategic Plan/Manifesto;
 - e. it is not just driven by short term fixes to immediate issues;
 - f. it demonstrates how the County Council has listened to consultation;
 - g. it is transparent and well scrutinised;
 - h. it is integrated with the Capital Programme; and
 - i. it maintains the County Council's financial stability.

Proposed Review Arrangements

10. While it is proposed that the Terms of Reference for the scrutiny of the MTFS remain consistent with previous years, Members are asked to consider whether the process can be refined, based on the experiences of prior years.

Questions and Interviews with Cabinet Members, Senior Leadership Team/Wider Leadership Team

11. Scrutiny of the MTFS has previously involved seeking information from Cabinet Members and senior officers regarding the services for which they are

responsible. It is proposed that Members consider building on the risk-based approach which they developed previously (and which was considered very successful) to further concentrate their scrutiny on areas/services which pose the greatest risk to the MTFS.

12. In order to address large budget gaps in for future years, a different approach to producing the MTFS was implemented and Members may want to consider aligning their scrutiny with this new approach. This would involve scrutinising the key strands of the approach which are cross-cutting across all services and not solely focusing on those with large budget areas.
13. In order to prioritise the areas for interview, Members should take into account:
 - a. each strand of the new approach;
 - b. largest budget areas;
 - c. areas where spending was more volatile or subject to significant external influence;
 - d. links to high priority areas in accordance with the aims set out in the Strategic Plan; and
 - e. areas with a history of overspending or that were not on target to meet the previous year's efficiency savings.
14. It is suggested that this year, to make best use of the time available, Members utilise information that is already available in order to undertake this prioritisation exercise. The same information can also be used to identify *specific* issues and questions at the outset, rather than sending general questions to all Cabinet Members. The information which the Working Group may use includes:
 - a. issues that were identified through last year's budget scrutiny;
 - b. new ways of working where associated risks have not been previously scrutinised;
 - c. current performance and financial management data and information regarding budget pressures (which is reported to Cabinet on a quarterly basis); and
 - d. latest summary data regarding which targets are on track to be delivered.
15. If Members choose to adopt this approach, it will mean that service areas which Members didn't identify as having particular risks associated with them last year, and which are also on track to meet their financial targets this year, will not be subject to review by Members. The Working Group will not request written responses from all Cabinet Members but will only request written responses on an exception basis, depending on the outcome of the risk assessment. This will enable Members to spend more time scrutinising those service areas which potentially have the greatest risk to non-delivery of the MTFS.
16. The Working Group will have the opportunity to interview the Leader of the County Council and the Cabinet Member for Finance regarding the Authority's overall financial position (including discussion of: Council Tax; use of reserves; borrowing etc). The Working Group will also be able to draw on the outcomes of the other, discrete, pieces of work included on your work programme to inform the final

report and recommendations. If required, the Working Group may also interview the council's external auditors.

17. Based on the above proposals, a potential timetable for MTFS scrutiny is set out below.

Timescale	Activity
May 2019	<p>The Committee receives:</p> <ul style="list-style-type: none"> the final report of last year's MTFS scrutiny; <p>The Committee determines which Cabinet Members to write to and/or interview and what questions to ask.</p>
June / July 2019	<p>The Select Committees may identify issues which they think should be fed into the MTFS scrutiny. As such, it is proposed that the Working Group write to the Select Chairmen to request that they feed in any issues so that this intelligence can be used to further inform the questions to Cabinet Members.</p> <p>Members may, at this point, review the Cabinet Members they have decided to meet with and determine that they wish to undertake additional interviews. Or, they may wish to ask for written responses to specific questions.</p>
August / September 2019	Members undertake interviews with the appropriate Cabinet Members and Senior Leadership Team/Wider Leadership Team.
October / November 2019	The Committee receives details of the draft Budget setting out budget pressures and the savings options identified to deliver a balanced budget and interviews the Leader of the County Council regarding the Authority's overall finances.
January 2020	Consideration of the draft report and recommendations.
January 2020	Agreement of the Working Group's final report and recommendations by Corporate Review Committee for submission to the Cabinet at their meeting in February 2020.

Link to Strategic Plan

18. It is the responsibility of this Committee to ensure that the County Council is allocating and using its resources effectively to achieve the priorities set out in the Strategic Plan; scrutiny of the MTFS is a key element of that.

Link to Other Overview and Scrutiny Activity

19. As set out in the proposed review arrangements, the Committee will seek information from the other Select Committees regarding specific issues that are

relevant to the scrutiny of the MTFS. This information will inform the questions which are asked of the Cabinet Members.

Equalities and Legal Implications

20. Members will be expected to consider the equalities implications of prioritisation/resource allocation processes.

Resource and Value for Money Implications

21. Effective scrutiny of the MTFS is a crucial element of the County Council's budget process and helps ensure that services deliver value for money.

Risk Implications

22. Public perception about Council spending and how it uses its resources makes an important contribution to the Council's overall reputation. An open and transparent Annual Budget, medium term financial planning process and asset management plans are more likely to enhance perception about public accountability.

Climate Change Implications

23. There are specific financial implications to the Authority if it fails to reduce its carbon emissions in line with Government requirements - these will be explored with the relevant Cabinet Member as part of the scrutiny process. There are no specific climate change implications resulting from the process of scrutinising the MTFS.

Health Impact Assessment

24. Members will be expected to consider the health impact implications of prioritisation/ resource allocation processes.

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