

Report for:

- Housing and Regeneration Scrutiny Panel, 14th December 2016
- Children and Young People Scrutiny Panel, 19th December 2016
- Adults and Health Scrutiny Panel, 20th December 2016
- Environment and Community Safety Scrutiny Panel, 21 December 2016
- Overview and Scrutiny Committee, 17th January 2017

Title: **Scrutiny of the Draft 5 year Medium Term Financial Strategy (2017/18-2021/22)**

Report authorised by: Tracie Evans, Chief Operating Officer

Lead Officer: Hannah Le Vay, Budget & MTFs Senior Programme Manager

Ward(s) affected: N/A

Report for Key/

Non Key Decision: N/A

1. Describe the issue under consideration

1.1 To consider and comment on the Council's draft 5 year (2017/2018 to 2021/2022) Medium Term Financial Strategy proposals relating to Priority X.

2. Recommendations

2.1 That the Committee consider, and provide recommendations to the 30 January Overview and Scrutiny Committee, on the Medium Term Financial Strategy 2017/2018 to 2021/2022 and savings proposals relating to Priority X.

3. Background information

3.1 The Council's Overview and Scrutiny Procedure Rules (Constitution, Part 4, Section G) state: "The Overview and Scrutiny Committee shall undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol covering the Overview and Scrutiny Committee".

3.2 Also laid out in this section is that "the Chair of the Budget Scrutiny Review process will be drawn from among the opposition party Councillors sitting on the Overview and Scrutiny Committee. The Overview and Scrutiny Committee shall not be able to change the appointed Chair unless there is a vote of no confidence as outlined in Article 6.5 of the Constitution".

4. Overview and Scrutiny Protocol

4.1 The Overview and Scrutiny Protocol lays out the process of Budget Scrutiny and includes the following points:

- a. The budget shall be scrutinised by each Scrutiny Review Panel, in their respective areas. Their reports shall go to the OSC for approval. The areas of the budget which are not covered by the Scrutiny Review Panels shall be considered by the main OSC.

- b. A lead OSC member from the largest opposition group shall be responsible for the co-ordination of the Budget Scrutiny process and recommendations made by respective Scrutiny Review Panels relating to the budget.
- c. Overseen by the lead member referred to in paragraph 9.2, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the new Medium Term Financial Strategy. Each Panel shall consider the proposals in this report, for their respective areas. The Scrutiny Review Panels may request that the Cabinet Member for Finance and Sustainability and/or Senior Officers attend these meetings to answer questions.
- d. Each Scrutiny Review Panel shall submit their final budget scrutiny report to the OSC meeting in January containing their recommendations/proposal in respect of the budget for ratification by the OSC.
- e. The recommendations from the Budget Scrutiny process, ratified by the OSC, shall be fed back to Cabinet. As part of the budget setting process, the Cabinet will clearly set out its response to the recommendations/ proposals made by the OSC in relation to the budget.

5. Draft 5 year MTFs (2017/18-2021/22)

- 5.1 In July of this year the Overview and Scrutiny Committee considered the MTFs 2017/18-2021/22 planning timetable and Budget Scrutiny process for 2017/18. As set out in that report, in order to cover the period of business rate devolution, work commenced on a new five year MTFs in May 2016 and a draft MTFs is now in place for consideration by Cabinet.
- 5.2 The draft MTFs uses the last year of the currently approved MTFs (2017/18), as adjusted for known changes, and adds a further four years (2018/19, 2019/20, 2020/21 and 2021/22). After taking into account anticipated funding reductions, demand pressures and a review of the base financial position including the achievability of previously agreed savings, further savings are required to bridge the resulting budget gap. As a consequence, this has led to a new range of proposals being reported to Cabinet in December 2016.
- 5.3 This meeting is asked to consider the proposals relating to the services within its remit and to make draft recommendations to be referred to the Overview and Scrutiny Committee on 30th January 2017 for discussion, prior to approval and referral to Cabinet for consideration in advance of the Full Council meeting in February. For reference the remit of each Scrutiny Panel is as follows:-
 - Children and Young People Scrutiny Panel - Priority 1
 - Adult and Health Scrutiny Panel - Priority 2
 - Environment and Community Safety Scrutiny Panel - Priority 3
 - Housing and Regeneration Scrutiny Panel - Priority 4 and Priority 5
 - Overview and Scrutiny Committee - Priority X
- 5.4 In July 2016 "Making Financial Scrutiny Count" training was provided to the Overview and Scrutiny Committee members and open to all Scrutiny Panel Members. Possible key lines of enquiry are attached at Appendix A as an aide memoir. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.

5.5 Appendix B is the report to Cabinet for their meeting of 13 December, which includes the proposals for the MTFs and an explanation of the assumptions etc that underpin the proposals.

6. Contribution to strategic outcomes

6.1 The Budget Scrutiny process for 2017/18 will contribute to strategic outcomes relating to all Council priorities.

7. Statutory Officers comments

Finance

7.1 There are no financial implications arising directly from this report. Should any of the work undertaken by Overview and Scrutiny generate recommendations with financial implications then these will be highlighted at that time.

Legal

7.2 There are no immediate legal implications arising from this report.

7.3 In accordance with the Council's Constitution (Part 4, Section G), the Overview and Scrutiny Committee should undertake scrutiny of the Council's budget through a Budget Scrutiny process. The procedure by which this operates is detailed in the Protocol, which is outside the Council's constitution, covering the Overview and Scrutiny Committee.

Equality

7.4 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

7.5 The proposals in the MTFs report are currently at a high level and will be developed further as new operating models, service changes and policy changes are progressed and implemented. Equalities impact assessments will be developed as part of this process.

8. Use of Appendices

Appendix A: Key lines of enquiry for budget setting

Appendix B: Report to Cabinet on MTFs proposals for 13 December Meeting

9. Local Government (Access to Information) Act 1985

Background papers:

5 year Medium Term Financial Strategy (2017/18-2021/22) - Cabinet 13th December 2016

Financial Scrutiny: Understanding your Role in the Budget Process

This document summarises issues and questions you should consider as part of your review of financial information. You might like to take it with you to your meetings, and use it as an aide-memoir.

Overall, is the MTFS and annual budget:

- A financial representation of the council's policy framework/ priorities?
- Legal (your Section 151 Officer will specifically advise on this)?
- Affordable and prudent?

Stage 1 – planning and setting the budget

Always seek to scrutinise financial information at a strategic level and try to avoid too much detail at this stage. For example, it is better to ask whether the proposed budget is sufficient to fund the level of service planned for the year rather than asking why £x has been cut from a service budget.

Possible questions which Scrutiny members might consider –

- Are the MTFS, capital programme and revenue budget financial representations of what the council is trying to achieve?
- Does the MTFS and annual budget reflect the revenue effects of the proposed capital programme?
- How does the annual budget relate to the MTFS?
- What level of Council Tax is proposed? Is this acceptable in terms of national capping rules and local political acceptability?
- Is there sufficient money in “balances” kept aside for unforeseen needs?
- Are services providing value for money (VFM)? How is VFM measured and how does it relate to service quality and customer satisfaction?
- Have fees and charges been reviewed, both in terms of fee levels and potential demand?
- Does any proposed budget growth reflect the council's priorities?
- Does the budget contain anything that the council no longer needs to do?
- Do service budgets reflect and adequately resource individual service plans?
- Could the Council achieve similar outcomes more efficiently by doing things differently?

Stage 2 – Monitoring the budget

It is the role of “budget holders” to undertake detailed budget monitoring, and the Executive and individual Portfolio Holders will overview such detailed budget monitoring. Budget monitoring should never be carried out in isolation from service performance information. Scrutiny should assure itself that budget monitoring is being carried out, but should avoid duplicating discussions and try to add value to the process. Possible questions which Scrutiny members might consider –

- What does the under/over spend mean in terms of service performance? What are the overall implications of not achieving performance targets?
- What is the forecast under/over spend at the year end?
- What plans have budget managers and/or the Portfolio Holder made to bring spending back on budget? Are these reasonable?
- Does the under/over spend signal a need for a more detailed study into the service area?

Stage 3 – Reviewing the budget

At the end of the financial year you will receive an “outturn report”. Use this to look back and think about what lessons can be learned. Then try to apply these lessons to discussions about future budgets. Possible questions which Scrutiny members might consider –

- Did services achieve what they set out to achieve in terms of both performance and financial targets?
- What were public satisfaction levels and how do these compare with budgets and spending?
- Did the income and expenditure profile match the plan, and, if not, what conclusions can be drawn?
- What are the implications of over or under achievement for the MTFS?
- Have all planned savings been achieved, and is the impact on service performance as expected?
- Have all growth bids achieved the planned increases in service performance?
- If not, did anything unusual occur which would mitigate any conclusions drawn?
- How well did the first two scrutiny stages work, were they useful and how could they be improved?