

Adults and Health Scrutiny Panel

Finance Scrutiny – Draft Scope and Terms of Reference (2024/25)

Rationale	<p>A report on The State of Local Government Finance, published by the Local Government Information Unit (LGIU) in February 2024,¹ stated that <i>“The local government sector in England is increasingly in a state of crisis”</i> with various pressures identified including inflation, the cost of living crisis, cuts to funding from central government and increasing demand on services.</p> <p>At least thirteen Section 114 notices have been issued by local authorities since 2018². Section 114 notices are sometimes referred to as ‘effective bankruptcy’ and, while Councils cannot actually go bankrupt, these notices mean that the Chief Financial Officer of the Council believes that their expenditure will exceed their income for a financial year which is unlawful according to the Local Government Finance Act 1988.</p> <p>A survey conducted by the LGiU, which involved responses from 128 Councils in England, found that if there were no changes to local government funding, 9% said that they were quite likely or very likely to issue a Section 114 in 2024/25 and that 51% were quite likely or very likely to do so in the next five years. More than half of respondents to the survey drew on their reserves in 2023/24 and planned to draw on them again in 2024/25.</p> <p>The Overview & Scrutiny Committee therefore considers that it would be appropriate to review the Council’s current arrangements for budget setting to ensure that this process is robust, that it achieves efficient management of the Council’s resources and that it consolidates a sustainable financial position for future years. The Review will examine the early stages of budget setting, including how the ‘gap’ in the revenue budget is calculated, how the engagement process with the Council’s senior leadership team is conducted to determine appropriate savings targets for each Directorate and what the involvement of Cabinet Members and officers is at each stage of this process.</p>
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¹ The State of Local Government Finance, LGiU (Feb 2024): <https://lgiu.org/wp-content/uploads/2024/02/State-of-Local-Government-Finance-in-England-2024.pdf>

² BBC News, 5th March 2024: <https://www.bbc.co.uk/news/uk-politics-66878229>

	<p>The Review will also consider factors relating to long-term financial planning such as the Council’s reserves, debts, expected future funding from central government and other sources, any projected long-term rises in the cost of providing services and any other financial risks that may be anticipated.</p> <p>Finally, the Review will consider how the current scrutiny of finances in Haringey could be improved throughout the annual financial cycle and how information on budget could be provided to Scrutiny at an earlier stage to ensure that this adds value to the budget setting process in the short, medium and long term.</p> <p>The Committee will seek to consider evidence from key witnesses and to develop recommendations to Cabinet based on its findings.</p>
Scrutiny Membership	<p>The Members of the Overview & Scrutiny Committee that will carry out this review are:</p> <p>Councillors: Matt White (Chair), Pippa Connor (vice-Chair), Lester Buxton, Makbule Gunes, Alexandra Worrell.</p>
Terms of reference	<p>The aims of this project are:</p> <ul style="list-style-type: none"> • To examine the Council’s budget setting process, including: <ul style="list-style-type: none"> ○ The calculation of any gap between income and expenditure in the revenue budget, the establishment of savings targets for each Council directorate to balance the budget and the involvement of Cabinet Members and officers in this process; and ○ Long-term financial planning, including the use of Council reserves, the level of debt, expected future funding from central government and other sources, the anticipated future costs of service provision and any other possible financial risks. • To review the current arrangements for the scrutiny of the Council’s finances, with particular reference to the schedule of scrutiny activity during the annual financial cycle.
Links to the Corporate Delivery Plan	<p>A review relating to finance issues is relevant to all themes set out in the Corporate Delivery Plan and is also relevant to the full remits of the Overview & Scrutiny Committee and the four Scrutiny Panels.</p>
Witnesses/sources of evidence	<p>TBC</p>

<p>Methodology/Approach</p>	<p>This project is envisaged as a short scrutiny project involving evidence gathering sessions with witnesses over three or four sessions and a review of relevant written information.</p> <p>It may also be necessary to refer to the Council’s constitution to review the sections relevant to the role of Scrutiny committees on budget and finance issues and to propose amendments if appropriate.</p>
<p>Equalities Implications</p>	<p>The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to: (1) Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act; (2) Advance equality of opportunity between people who share those protected characteristics and people who do not; (3) Foster good relations between people who share those characteristics and people who do not.</p> <p>The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.</p> <p>The Panel should ensure that it addresses these duties by considering them during final scoping, evidence gathering and final reporting. This should include considering and clearly stating: How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics; Whether the impact on particular groups is fair and proportionate; Whether there is equality of access to service and fair representation of all groups within Haringey; Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.</p>
<p>Timescale</p>	<p>It is anticipated that the Review will be concluded by October 2024, with the scrutiny process for reviewing the draft 2025/26 budget and MTFs then commencing in November 2024.</p>
<p>Reporting arrangements</p>	<p>The Director of Finance will coordinate a response to Cabinet to the recommendations of the Panel’s final report.</p>
<p>Officer Support</p>	<p>Lead officer: Dominic O’Brien, Principal Scrutiny Officer, 020 8489 5896, Dominic.Obrien@haringey.gov.uk</p>