

Report for: Budget Scrutiny Panels

- Housing and Regeneration Scrutiny Panel, 16th December 2019
- Environment and Community Safety Scrutiny Panel, 17th December 2019
- Children and Young People Scrutiny Panel, 19th December 2019
- Adults and Health Scrutiny Panel, 6th January 2020
- Overview and Scrutiny Committee, 14th January 2020

Title: Scrutiny of the 2020/21 Draft Budget / 5 Year Medium Term Financial Strategy (2020/21-2024/25)

Report authorised by: Jon Warlow, Director of Finance and Section 151 Officer

Lead Officer: Frances Palopoli, Head of Corporate Financial Strategy & Monitoring

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 2020/21 Draft Budget / 5-year Medium Term Financial Strategy (MTFS) 2020/21 – 2024/25 proposals relating to the Scrutiny Panels' remit.

2. Recommendations

2.1 That the Panels consider and provide recommendations to Overview and Scrutiny Committee (OSC), on the 2020/21 Draft Budget/MTFS 2020/21-2024/25 and proposals relating to the Scrutiny Panel's remit.

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 4.1.b, each Scrutiny Review Panel shall hold a meeting following the release of the December Cabinet report on the new Draft Budget/MTFS. 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/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. 2020/21 Draft Budget / 5 year Medium Term Financial Strategy (MTFS) 2020/21 – 2024/25

- 5.1 The MTFS agreed by Council in February 2019 recognised a budget gap of £13.1m in 2020/21 that would need to be closed through further budget reductions. The proposed 2020/21 new budget reductions required to help close this gap of £5.5m in 2020/21 (rising to £10.4m by 2024/25) are now presented for scrutiny.
- 5.2 The reason that the required level of budget reduction for 2020/21 has reduced compared to the February forecast is partly due to the announcements in the Spending Round 2019 (SR19). This confirmed social care funding at 2019/20 levels for 2020/21 as well as circa £5m additional funding. This level of Government funding had not been assumed in the last MTFS presented to Cabinet in February 2019. The Live Budgeting approach also contributed, as the Cabinet meeting in July 2019 approved a package of Invest to Save proposals put forward by the Children's service. This contributed budget reductions of £1.3m to the 2020/21 gap.
- 5.3 Even with the budget reduction options set out in Appendix C being approved when the budget is finalised in February, the draft 2020/21 Budget presented to Cabinet on 10th December 2019 still has a gap of £0.6m. Work continues to identify options to bridge this before the final Budget/ MTFS is submitted to Cabinet and Council in February 2020.

- 5.4 Based on the draft 2020/21 Budget/MTFS 2020-2025, further budget reductions of £23.2m will need to be identified across the period 2021/22-2024-25 as highlighted in Appendix B.
- 5.5 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 23rd January 2020 for discussion, prior to approval and referral to Cabinet for consideration in advance of the Full Council meeting on 24th February 2020. For reference the remit of each Scrutiny Panel is as follows:
- Housing & Economy Priorities - Housing and Regeneration Scrutiny Panel
 - Place Priority - Environment and Community Safety Scrutiny Panel
 - People (Children) Priority – Children and Young People Scrutiny Panel
 - People (Adults) Priority – Adult and Health Scrutiny Panel
 - Your Council Priority – Overview and Scrutiny Committee
- 5.6 As an aide memoire to assist with the scrutiny of budget proposals, possible key lines of enquiry are attached at **Appendix A**. This report is specifically concerned with Stage 1 (planning and setting the budget) as a key part of the overall annual financial scrutiny activity.
- 5.7 **Appendix B** provides a summary of the draft General Fund 2020/21 Budget / MTFS 2020/2025 by priority area.
- 5.8 **Appendix C** provides details of the new revenue and capital budget proposals. A summary is provided, followed by detailed information for each proposal. Any invest to save revenue proposal dependent on capital or flexible use of capital receipts for successful delivery has been clearly identified in the summary.
- 5.9 The then then Secretary of State for the Department for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms over how capital receipts can be used to finance expenditure. The direction allows for the following expenditure to be financed by utilising capital receipts:
- “Expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.”*

6. Contribution to strategic outcomes

- 6.1 The Budget Scrutiny process for 2020/21 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 draft Borough Plan sets out the Council's overarching commitment to tackling poverty and inequality and to working towards a fairer Borough.
- 7.5 The Council is also bound by the Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - 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.
- 7.6 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. Marriage and civil partnership status applies to the first part of the duty.
- 7.7 The Council has designed the proposals in this report with reference to the aims of the Borough Plan to reduce poverty and inequality. The Council is committed to protecting frontline services wherever we can and the budget proposals have focused as far as possible on delivering efficiencies or increasing income, rather than reduction in services.
- 7.8 As plans are developed further, each area will assess the equality impacts and potential mitigating actions in more detail. Final EQIAs will be published alongside decisions on specific proposals.
- 7.9 Any comments received will be taken into consideration and included in the Budget report presented to Cabinet on 11th February 2020.

8. Use of Appendices

Appendix A – Key lines of enquiry for budget setting

Appendix B – 5-year Draft General Fund Budget (2020-21) / Medium Term
Financial Strategy (2020/21 – 2024/25) - Cabinet 10th
December 2019

Appendix C – 2020 (New) Budget Proposals

9. Local Government (Access to Information) Act 1985

Background papers: 2020/21 Draft Budget / 5-year MTFS (2020/21 –
2024/25) -Cabinet 10th December 2019

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?

Appendix B – Haringey Draft General Fund and Medium Term Financial Plan

	2019/20 Budget	Movement	2020/21 (Draft) Budget	Movement	2021/22 Projected	Movement	2022/23 Projected	Movement	2023/24 Projected	Movement	2024/25 Projected
Priority Area	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing	19,067	(816)	18,251	(709)	17,542	(136)	17,406	(136)	17,270	(136)	17,134
People - Children	59,293	(2,942)	56,351	(619)	55,732	(9)	55,723	400	56,123	300	56,423
People - Adults	83,535	(7,390)	76,145	(2,091)	74,054	(1,724)	72,329	3,174	75,503	3,102	78,605
Place	26,954	(2,505)	24,449	(2,061)	22,388	(1,053)	21,335	(64)	21,271	6	21,277
Economy	1,479	(390)	1,089	(120)	969	(130)	839	(120)	719	-	719
Your Council	37,811	(1,509)	36,302	(1,088)	35,214	(790)	34,424	(6)	34,418	-	34,418
Non-Service Revenue	18,530	11,070	29,600	10,144	39,744	10,785	50,529	9,540	60,069	6,266	66,335
Further Savings to be Identified	-	(612)	(612)	125	(487)	(1,209)	(1,696)	(6,946)	(8,642)	(3,766)	(12,409)
Council Cash Limit	246,669	(5,094)	241,575	3,580	245,156	5,734	250,889	5,842	256,731	5,772	262,503
Planned Contributions form Reserves	(5,487)	5,487	-	-	-	-	-	-	-	-	-
Total General Fund Budget	241,182	393	241,575	3,580	245,156	5,734	250,889	5,842	256,731	5,772	262,503
Funding											
Council Tax	(101,981)	(5,130)	(107,111)	(3,224)	(110,335)	(3,321)	(113,656)	(3,421)	(117,077)	(3,524)	(120,600)
Council Tax Surplus	(3,850)	1,700	(2,150)	-	(2,150)	-	(2,150)	-	(2,150)	-	(2,150)
RSG	0	(22,030)	(22,030)	(441)	(22,471)	(449)	(22,920)	(458)	(23,378)	(468)	(23,846)
Retained Business Rates	(33,484)	11,664	(21,820)	(1,339)	(23,158)	(418)	(23,576)	(416)	(23,992)	(480)	(24,472)
Top up Business Rates	(65,196)	7,525	(57,671)	(5,089)	(62,760)	(1,133)	(63,892)	(1,126)	(65,018)	(1,300)	(66,319)
NNDR Growth	(3,084)	2,684	(400)	400	-	-	-	-	-	-	-
Total (Main Funding)	(207,595)	(3,586)	(211,181)	(9,692)	(220,873)	(5,321)	(226,194)	(5,421)	(231,615)	(5,772)	(237,387)
New Homes Bonus	(2,540)	341	(2,199)	-	(2,199)	-	(2,199)	-	(2,199)	-	(2,199)
Public Health	(19,677)	(551)	(20,228)	(405)	(20,632)	(413)	(21,045)	(421)	(21,466)	-	(21,466)
Other core grants	(11,370)	3,403	(7,967)	6,517	(1,450)	-	(1,450)	-	(1,450)	-	(1,450)
TOTAL (Core/Other External Grants)	(33,587)	3,193	(30,394)	6,112	(24,282)	(413)	(24,694)	(421)	(25,115)	-	(25,115)