

**Eden District Council**  
**Scrutiny Co-Ordinating Board**

**23 October 2008**

**Process for Scrutinising the Budget**

**Report of the Leader of the Council and the Chairman of Scrutiny Board**

**1 Purpose of the Report**

- 1.1 The report asks the Board to determine the process to be adopted in scrutinising the Executive's draft budget for 2009-10.

**2 Background to the Report**

- 2.1 Scrutiny of the budget is one of the most important roles of the scrutiny function. There is explicit provision for this within the constitution. This basically provides that the Executive has to agree a draft budget for Scrutiny's consideration. The Executive then has to receive the comments of Scrutiny and take these into account before agreeing their budget for submission to Council, which ultimately must approve the budget. There is a minimum period of four weeks between the Scrutiny Board receiving the draft budget and then meeting to agree on a response to the Executive.
- 2.2 It is important that a clear process is agreed so that the scrutiny of the budget can be undertaken in a controlled and effective manner. This reports sets out a process for agreement by the Board. An initial draft of this report was discussed informally between the Leader, the Resources Portfolio Holder, and the Chairman of the Scrutiny Board. A further report was then circulated to all Scrutiny Members for comment. Comments were received from Councillors Bell and Hughes. These are appended.
- 2.3 The scrutiny of the draft 2009-10 budget will be the first time that the budget has been scrutinised following the introduction of the new political structure. This report draws on the experience of other councils who have been through this before (principally Harrogate and South Lakeland) and also on best practice guidance. With this being the first year of the process, there will be a review at the end and any lessons learnt will be fed back into next year's scrutiny of the budget.

**3 Proposed Process for Scrutiny of the Budget**

**3.1 Step 1 - Presentation of Draft Budget to Scrutiny Members**

The draft budget agreed by the Executive on 9 December 2008 will be presented to a meeting of all Scrutiny Members on 18 December 2008. The timetabled meeting of the Board would follow after that meeting.

The budget would be presented by the Leader and the Resources Portfolio Holder, supported by the Chief Executive and the Director of Finance.

The budget would include the;

- base budget (presented in summary: detail available on web)
- proposed growth
- proposed savings
- proposed fees and charges increases (major items only)
- proposed level of Council Tax

Scrutiny Members would have the opportunity to ask questions. The meeting would not be open to the public, as it is essentially to further Members' understanding.

### 3.2 **Step 2 - Consideration of Portfolio Budgets by Budget Task Groups**

It would be difficult for effective scrutiny to take place by all Scrutiny Members looking together at the whole budget. To avoid such a cumbersome procedure, it is proposed that four budget task groups are set up to scrutinise particular portfolio budgets as follows;

Group 1 - Leader, Performance and Resources portfolio budgets

Group 2 - Environment portfolio budget

Group 3 - Economy and Housing portfolio budgets

Group 4 - Community portfolio budget

The constituent portfolios have been selected to broadly equalise the scope and size of budgets being scrutinised. If the existing Scrutiny panels had been used to scrutinise their portfolios, this would have meant that those Members on the performance and governance panels would have had little part in the process. It is proposed that the task groups are working groups and therefore are not open to the public. This will also make shorter timescales possible for sending out reports: this will be helpful as the process will be working to a fairly tight timescale.

It is suggested that each Member sits on one group, meaning there will be three groups of eight Members and one of seven. The Members on each group are to be determined by the Scrutiny Co-ordinating Board Chairman, based on declared preferences: each group will have one member of the Board on it who will act as Chairman of that group. Once the membership of the groups is determined, a meeting date will be set. Each group will meet once to consider the relevant portfolio budgets.

The meeting will begin with a presentation by the relevant portfolio holder(s), supported by either the Director of Finance, or the Financial Services Manager. Members will then have the opportunity to ask questions. It is intended that Members' attention will focus on growth, savings, charges and level of Council Tax. However, this must be seen within the context of the overall budgetary discipline set by Balancing the Budget, as agreed by Council. Whilst Members are free to make whatever suggestions they wish, any suggestions for additional growth, less savings, or a lower Council Tax, must be accompanied by proposals to fund them. This has been the core philosophy of Balancing the Budget.

Whilst Members will be free to query the base budget (the detail that used to go to policy committees will be available) the base budget represents the resources in the on-going budget. Members' attention is more meaningfully directed to looking at changes, ie proposed growth and savings and the level of Council Tax.

The task groups will meet in early January. After meeting, the Chairman of each group will summarise the comments of the group and give all Members an opportunity to comment before finalising them.

### **3.3 Step 3 - Response from Scrutiny Board**

The Board meeting on 22 January 2009 would consider the comments of all the four budget task groups and draw together a composite response on the draft budget to present to the Executive.

### **3.4 Step 4 - Presentation of Scrutiny Response to Executive**

The response agreed by the Board is presented to the Executive on 29 January 2009 by the Board Chairman.

At this meeting the Executive will receive any other consultation responses. Specific consultation will be undertaken with;

- Eden LSP
- Eden Economic Forum
- Eden Association of Local Councils
- Eden CVS
- The Public (via web consultation)
- Any stakeholder directly affected.

### **3.5 Step 5 - Debrief on Process**

As noted above, it is important that any lessons learnt from the process are captured and used to improve the next year's budget scrutiny process. At the end of February a questionnaire will be sent out after consultation with the Board Chairman. This will ask both Scrutiny Members, Executive Members and consulted groups how they felt the process went and what worked well and what didn't. The responses will be considered at the Board meeting on 2 April 2009: it is expected that this will lead to recommendations for improvement.

## 4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Affordable Housing
- Quality Environment
- Economic Vitality
- Quality Council

Council, on 7 February 2008, agreed fifteen strategic actions to achieve these priorities.

4.2 The budget lies at the core of what the Council does. The Constitution requires that scrutiny of the Executive's budget proposals takes place.

## 5 The Legal Implications

5.1 None.

## 6 The Financial Implications

6.1 The Council has agreed an action plan to carry through the Balancing the Budget exercise. A key part of this is the Resource Allocation Categorisation, which is designed to ensure that resource allocation reflects the Council's priorities. The full categorisation was agreed at Council on 7 February 2008 and the financial implications of any report must be consistent with this.

6.2 There are no direct implications. However, scrutiny review of the proposed budget is a key element in the Council's financial governance.

## 7 Risk Management Implications

7.1 There are two main risks in budget scrutiny process;

- Scrutiny Members are not engaged
- The process becomes inordinately time consuming.

7.2 **Scrutiny Members are not engaged** - if Scrutiny Members are not engaged and think the process is merely going through the motions, the comments to the Executive will not add value to the final budget. It is hoped that this can be avoided by;

- consulting Members on the process
- Executive Members taking the comments of Scrutiny seriously.

7.3 **The process becomes inordinately time consuming** - there is limited time available for budget scrutiny and it is focused in a narrow window: this is determined by the necessary timescale of budget preparation. It is therefore critical that available time is focused on areas that Scrutiny can effect, principally growth, savings, charges and Council Tax. To spend a lot of time looking at the base budget is unlikely to be time well spent. It is hoped that the Budget Task Groups will be an effective way of using Members' time.

## 8 Conclusion

8.1 Scrutiny of the budget is one of the key roles of Scrutiny. It will undoubtedly be a challenging role, especially in the first year. It is hoped that, by agreeing a clear process, such scrutiny can be effective and efficient.

## 9 Recommendation

It is recommended that the Board agree the process for the scrutiny of the budget, as set out in section 3 above.

C Nineham  
Leader of the Council

S J Simpson  
Chairman of the Scrutiny Co-ordinating Board

### Background Papers:

CIPFA/Centre for Public Scrutiny - The Scrutiny of Local Government Finance  
WLGA - Scrutiny of budgets and the budget setting process  
Harrogate Borough Council - reports from 2008-9 budget scrutiny  
South Lakeland District Council - reports from 2008-9 budget scrutiny

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## Comments Received from Scrutiny Members

### Councillor Hughes

I think that my views, and those of my Lib Dem group colleagues, are well known on this topic ie that scrutiny of the budget-making process should begin much earlier (as it always did through the committee cycle) with portfolio holders having meetings with relevant scrutiny panels/task groups well before December, so that oversights/omissions in the corporate budget-building task can be ironed out early on.

### Councillor Bell - *this appears to be the agreed position of the Liberal Democrat Group*

The paper on which we are asked to comment falls far short of what we had hoped to see... as members we do not want to just come in at the end of the process... we want to understand the outside influences on the decisions we need to make... the constraints... the barriers to progress and above all the choices that are available.

To take this as one part of the process that we hope to move towards... step 2 seems to be very limiting... putting things in boxes denies the opportunities to change balances between the boxes and to argue that expenditure in one box is more important than in the other.

My feeling is that there should be at least two meetings in this short time span... one to hear the presentations and understand the info presented and to think about what additional stuff we need to understand.... and a second to receive any additional info and to formulate a measured response... experience of scrutiny so far has been very frustrating... we don't know what we don't know... I think the risks are very high that members will not engage in the process of scrutinizing the budget... unless the process is right.

What arrangements will be put in place to equality impact assess the decisions made about aspects of the budget that are highly relevant to equality and who will do this?... I am thinking particularly of any decisions to cut or reduce budgets. I am thinking about the Ealing ruling earlier this year.

We would like to see a year long plan which sets out a process for developing the Corporate Plan and Budget, beginning and approved by Council in June and ending with Council approval of the Corporate Plan and Budget the following Feb.

In this plan we would like to see timetabled:

- Training and consultation seminars for elected members
- Consultation events for key stakeholders and
- Service reviews

We would also like to see in the plan, where and when the key aspects of the Corporate Plan and budget development are reviewed and by whom eg asset management, capital revenue.

We would like to see:

- Clear consideration of EDC financial commitments to partnership working and in particular EDCs commitment to the LAA and CDRP
- Clear consideration of parish plans/vitality of Penrith

We would like to see:

- The use of equality and diversity data and equality impact assessments.
- The use of information about communities in Eden and their needs... throughout the process.

Why?

- All stakeholders and councillors would be better informed and involved
- It would ensure the Corporate Plan and Budget were developed in a timely and robust way
- Clarity of the process for the residents of Eden.