



SCRUTINY MANAGEMENT COMMISSION 28 September 2009

Report of the Corporate Director Corporate and Adult Services and
the Corporate Director of Resources

Proposals for Scrutinising 2010/11-2012/13 Budget Setting Process

RECOMMENDATION

1. That the Commission consider and comment on the proposed budget scrutiny process for the setting of 2010/11- 2012/13 budget.

SUPPORTING INFORMATION

2. The Scrutiny Management Commission agreed at their June 2009 meeting to review the budget setting process as members were unhappy with last year's process. Their main concerns focused on unclear terminology used in the budget, insufficient and inconsistent information provided.
3. In July a group of SMC members met with the Corporate Director of Resources and the Head of Accountancy to talk through their concerns at last year's process and made number suggestions on how the scrutiny of budget setting process could be improved for this year's budget.
4. Some of the Changes to this year's budget scrutiny process include:
 - Each Commission to receive plain English presentation on the Budget Strategy 2010 to 2013 during their autumn round of meetings
 - Holding a special meeting of all members in December to receive Cabinet's budget proposals
 - Each Commission to receive supporting background information for each area of the service.
5. Members are asked to consider and comment on the proposed budget scrutiny process.

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Background papers: None
List of appendices: Appendix 1 – Implications
Appendix 2 - Proposed process
Appendix 3 – Notes of budget review meeting held on 13 July

IMPLICATIONS

Financial

1. None arising from this report.

Legal

2. None arising from this report.

Personnel

3. None arising from this report.

Equalities impact

4. None arising from this report

Corporate Objectives

5. This report has the potential to link with all the Corporate Objectives

PROPOSED SCRUTINY COMMISSIONS BUDGET SCRUTINY PROCESS 2010/11 – 2012/13 BUDGET

Report of the Corporate Director – Resources

Following feedback from Scrutiny Management Commission members, this report sets out the proposed approach to how the Cabinet's 2010-2013 budget proposals will be scrutinised by the Scrutiny Commissions.

Commission Dates	Budget Scrutiny details
October/early November 2009	<p>Each Commission will receive a simplified, plain English presentation on the Budget Strategy 2010 to 2013. This will include a Plain English explanation of key terminology</p> <p>Each Commission will also receive a Budget Information schedule providing supporting background information against each summary budget line, as already provided so far in the budget process to Cabinet. See Appendix 2b for the list of contents.</p> <p>No detailed budget proposals will be provided at this stage until our proposed 'Star Chamber' meetings take place on the savings options and further pressures are fully considered and challenged.</p>
December 2009	<p>A special meeting will be arranged for all Members to release the Cabinet's budget proposals.</p> <p>At this meeting each Chief Officer will give a short presentation on the budget implications and proposals for their Services.</p> <p>The information to be released will include:</p> <ul style="list-style-type: none"> • a Proposed Budget Changes schedule by Commission portfolio showing for each summary budget line, the build up of the proposed budget. See Appendix 2b for list of contents • a separate schedule for those cross cutting savings, which will not at that stage, have been allocated to individual service lines • supporting narrative on pressures built into the budget figures • the front sheet of the Savings Reports – see Appendix 2c - as supporting narrative for savings proposals • details of the corporate capital programme evaluation and proposed budget.
January 2010 Note: SMC not until 2 February 2010	<p>Consideration of the above budget proposals and details of departmental capital programme proposals for scrutiny. Recommendations from Scrutiny Commissions will be reported back to Council Cabinet.</p>

These proposals will be providing the Commissions with more information than they have had in the recent past.

It is noted that the Commissions had asked to receive the detailed proposals for their scrutiny during the earlier stages of the budget process. This is not feasible for the October/early November 2009 meetings, as it would be before the budget proposals are fully considered and challenged through the Star Chamber meetings.

The earlier release of the budget proposals in December instead of January will hopefully give the Commission Members more time to scrutinise the detail before the January Commission Meetings.

The Commission is asked to consider whether it is possible to bring forward the late January/early February 2010 meetings to earlier in January 2010. This would provide more time for the Commission recommendations on the budget proposals to be fully considered.

Revenue budget information schedule October 2009

For each service line sorted by Commission portfolios:-

1. 2009/10 budget amounts
2. Brief service description
3. Service type - statutory/discretionary/support service
4. Link to corporate priorities

Proposed revenue budget changes schedule December 2009

For each summary service line sorted by Commission portfolios:-

1. Base budget - previous years budget as the starting point
2. Base budget changes, such as agreed transfers between departments, and minor departmental budget amendments
3. Employee inflation added
4. Other inflation added
5. Proposed budget savings reductions with cross reference to detail provided in the Savings Report
6. Proposed budget growth for pressures built in with cross reference to supporting narrative
7. Proposed new budget

Budget Review – Summary Progress Report

Progress, timing and estimated implications of savings options being developed will be tracked during the budget process using this Savings Proposals Report

Ref No:	COG XXX / CAB XXX				
Review Title:					
Department:		Resp. Officer:			
Cabinet Portfolio:					
Review Type:	Service Reduction / Cost Reduction / Income Generation				
Background	(Provide any background information relevant to the review and why it is happening)				
Review objectives:	(What is the review trying to achieve? Include details of any service benefits apart from financial benefits which should be included under financial implications below)				
Outline Business Case:					
Options:	(Brief description of the different options considered for the review)				
Benefits expected: (To be updated at each review period covered by the highlight report)		2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
	Existing targets				
	New Targets				
	One-off Implementation Costs				
Risks:	(Summary of the key risks / constraints of the review)				
Timescales	(Include key dates for the review including highlight reporting and final recommendations)				

Review of the Council's Budget Setting Process

Notes of the Evidence Gathering Meeting held on 13 July

Attendance – Councillors Lisa Higginbottom, Roy Webb, Fareed Hussain, Faratullah Khan, Margaret Hird

Officers - Don McLure, Corporate Director Resources; Carolyn Wright, Head of accountancy; Mahroof Hussain, Overview and Scrutiny Co-ordination

Apologies – Councillors Chris Poulter, David Batey

1. This review has been undertaken by the SMC to improve the budget scrutiny process. Some members find information relating to the Council's budget setting difficult to understand and therefore feel they are unable to make a useful contribution during the budget scrutiny process. The review aims to make budgets easier to understand and enable more Commission members to contribute to the budget setting process.
2. The Corporate Director of Resources stated that he sought to engage the SMC in the budget setting last year but members declined to be involved at an earlier stage of the process. Members wanted the Liberal Democrat ruling administration to put their budget proposals forward so that these could be scrutinised.
3. Councillor Hussain stated that the way the budgetary information is set out is not easy to understand. The presentation of the information is inconsistent which makes it difficult compare from one year to the next. There should be clear headings which show how much money is spent between different areas of services. The budget for adult social care for example should show how much money is spent on residential care, home care, day care etc. If there are any movements between services then these can be easily detectable. Currently this is not so easy.
4. Councillor Webb confirmed that the SMC was reluctant last year because they were told the leader wanted the Commission to give them guidance on where the budget should be going. However that's not what scrutiny is about. The SMC therefore asked the Cabinet to present their budget proposals which they would scrutinise and give comments on.
5. To move the process forward what members need to know at an early stage is the level of Government grant we are getting or likely to be getting over the coming three year period. Members should receive the same information on all major budget headings the Cabinet member is getting and enable them to work through the detail. At present scrutiny is not involved in an early stage and they don't see where grants are coming from or are going to. For example on Supporting People Grant one organisation is told grant is falling grant whilst another is told it is increasing. But the Supporting People Grant comes from the same place. Some organisations are getting a cut whilst others are getting an increase. The budget setting process should be clear from the start and give basic figures at a very early stage, when the cabinet members get them. The Commissions will then be able to work through some of the choices that are given to the Cabinet member. Commissions need to be scrutinising at the same rate or at least only a week or two behind the Cabinet.

6. Carolyn stated that SMC would need to look at the budget management strategy and which contains the same information the Cabinet member is getting. The Department is already looking at additional information on grants in the budget strategy and will include time limited grants. However there are often strict criteria which state how grants can be used.
7. Councillor Webb stated although there is little that Commissions can do about the criteria, scrutiny can recommend how these grants can be better utilised. Commission would also need to know what the core budgets are and which grants are going to influence services. This will give them some figures to work with.
8. On answering the question of whether budget pressures are flagged up at an early stage the Corporate Director stated that Departments always seek to flag up issues as early as possible and cited the example of concessionary fares which is putting huge pressures on our budgets. He explained that the fares system is now based on journeys and that the amount of money within the concessionary fares system is insufficient across Derbyshire. The city is particularly disadvantaged because it is used as a hub for routes in and out of the county whilst the charging system operates on where people embark on the journey. The evidence coming through from the bus companies is that there is a shift in the costs from the districts to the city which is a pressure for the city and will be factored into the budget process.
9. The Director informed the Commission that for the 2010/11 base budget position various assumptions are being built into the process. For the medium term financial plan established in March 2009 for 2010/11 we included known risks, identified savings and unidentified savings. Also shifts between March and July which include collapse in inflation. Pay award assumptions and energy prices have also been included and therefore we have a good idea of where we want to be. We reviewed last year's process and as a result we now have a detailed timetable between now and the budget setting next March. Time has been set aside for budget discussions with the Labour and Conservative Group leaders in September.
10. Councillor Hussain stated that very few members understand what is happening with the budget. The information needs to be in a format that is more understandable and in general terms should show direction of travel. It needs to be presented at an early stage so that members know where the budget is going. Further details need to be provided in October/ November so that it can be scrutinised by the SMC and other Commissions.
11. Councillor Webb stated that during his role as a cabinet member, he received regular briefings from officers and by September he had received a lot of information about the budget. He stated that currently briefings are only provided to just one person and what we are suggesting is opening up the process to a wider audience. There are things that can be missed by a single individual but may be picked up by a larger group.
12. Councillor Hussain made suggestions on how the information could be better presented to members. He suggested the information could be presented in a tabular form and had the following headings; budget expenditure; actual spend based on previous year's outturn, variance to the budget and the proposed budget for coming year.

Budget expenditure set	Actual spend/ budget outturn	Variance to budget	Proposed budget for the forthcoming year

13. Members also suggested adding commentary as the variance on its own would not necessary add any value. The Director suggested that this needs to be at the highest level otherwise it would create too much information.
14. Officers agreed to go away and produce a draft paper. This would be communicated through the OScer and emails rather than holding further meetings unless these were essential.
15. Councillor Webb stated that Derbyshire Constabulary and the Fire Authority gave evidence on the budget to the Derbyshire County Council's Overview and Scrutiny Committee as they are part of the Council Tax process. It was suggested that the since Derbyshire Constabulary and the Fire Authority take a slice of the city's Council Tax, we should also scrutinise their budgets. Member suggested that there is role for the Director to communicate this to his equivalent at the Police and Fire Authority.
16. Councillor Hussain stated that Council's total expenditure is significantly greater than figures discussed during the budget setting process and which is not always understood by some members. These may include fees and charges. This information also needs to be included in the budget scrutiny process.
17. Councillor Webb said members need to know the whole process, what we are entitled to at the Council, how this money is acquired and where it is spent. For example the HRA that is collected by us but goes to London before being redistributed back to us. We are currently in profit on HRA but will not be in two years time. So these sort of issues need to be highlighted as these will become budget pressure later down the line.
18. There is also a concern is about the International Financial Reporting Standard which comes in 2010/11 and could change the format of the budget presented to the Council.
19. The Director stated that this is a sensitive issue within accounting profession and he is not sure whether this will have an impact up on the budget front. However, we will seek to maintain a consistent format of the information we present to members.
20. The Director stated that he is currently focusing on the 2011/12 budget and looking at big issues such as how much grant we are receiving, how much of this is time limited and how much is ring fenced. We now know a number of facts, the global financial situation and the recession in UK. It is anticipate that following the General Election there are likely to be substantial funding cuts and the local government is expected to bear the brunt of all this. We will need to revisit the medium term financial plans and planning assumptions for the budget in March. There are potential pressures coming our way and that is where we would like some input from members. We will come up with some proposals and welcome the opportunity to feed this through Mahroof as I expect it will be difficult to organise SMC meeting during the holiday period.

21. Councillor Webb stated that the budget process has an impact on our ability to plan for future developments and therefore it is important to understand what plans are being developed. It is important for members to understand both political and financial decisions for example Extra Care Developments; Dementia Care; Cityscape; Castle Ward. Political questions can be dealt by the Cabinet Member but the financial side what we are interested in- how we are going to get there and how we are going to fund it.
22. Councillor Hussain asked about the Public Realm Fund. Although this is part of the capital budget it needs to be fully explained as it can also affect the revenue side. If budgets are under pressure Members should be told which proposals are optional and those where firm commitments have been made.
23. Councillor Webb asked how we deal with confidential matters.
24. The Director of Resources stated that there are very few reports that don't go into public domain during the decision making stage. The reason for excluding information is not only to stop us from disclosing sensitive information relating to a particular company but also to help us with any negotiations. For example if we are seeking to acquire property, we need to get Cabinet decision to proceed and if the property in consideration is made public, it could triple its value. Once we have gone beyond the initial negotiations stage the documents are then made public.
25. After giving their evidence from the Director and the Head of accountancy left the meeting and Members discussed their experience of the budget scrutiny process. Councillor Webb said that there had been some timing issues last year which significantly condensed the process and didn't lead to proper scrutiny. Members spent far too long talking about Mayor's purse when there were much larger budget issues to debate. The Commissions therefore needed to get away from petty politics and get into scrutinising proper budgetary process. Councillor Webb stated that in commission meetings we need to try and properly scrutinise the budget and leave the politics for the Council Chamber. Councillor Webb also stated that it was important to differentiate between political and financial information. The Cabinet members must accompany the officers since they have a lot of background information that we need to know but we can't put officers in positions of having to answer political questions.
26. It was suggested to ask Directorates to give presentations at each commission and inform members about their budget pressures. The SMC should recommend that they come and talk about last years budget outturns.
27. It was suggested that the SMC could invite the Director of Resources and the Leader of the Council to give an overall political direction of the budget and then it would be down to each commission to deal with Directorates.
28. Councillor Hussain also suggested that whilst Directorates could be asked to highlight the budget pressures they should also be asked to update members on the savings. He asked that these could show what had been delivered and also what haven't been delivered. For those savings that haven't been delivered, they should give plans of what they are doing about them. Commissions should scrutinise the budget regularly which will also enable them to scrutinise the performance.