

Budget Scrutiny

Meeting: Scrutiny Management Board

Meeting date: 9th January 2022

Report by: The Statutory Scrutiny Officer

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose:

This report sets out an approach, rationale, process and timetable for the scrutiny of the Council's budget proposals for 2023-2024, in accordance with the Council Constitution.

Recommendation(s)

- 1) That the process for scrutiny of the Council's budget proposals for 2023-24 be agreed, as outlined in the report.**
- 2) That scrutiny management board agree the aims and objectives set out at para 4 in the report. aims and objectives for the budget scrutiny inquiry be:**

Alternative options

The alternative is for the committee not to agree the objectives and process for budget scrutiny, which would provide less clarity and on the purpose, objectives and progress.

Key considerations

- a) The Scrutiny Management Board has the remit under the Council Constitution to carry out scrutiny of the Council budget.
- b) The process for scrutiny of the Council budget proposals is set out at Part 4, Section 3 of the Herefordshire Council Constitution; - 4.3.3 Process for developing framework items.

c) This report proposes definitive Aim and Objectives for the Budget Scrutiny and clarifies key outputs to be achieved from the process.

d) This report provides the overall timelines and key meeting dates planned for the scrutiny of the budget proposals.

Introduction

1. In May 2022 the Council allocated the responsibility for scrutiny of the Budget and Treasury Management to the remit of the Scrutiny Management Board¹, which also includes generally undertaking scrutiny of areas which are cross cutting nature such as Finance (Budget)².
2. The process for scrutiny of the Council budget proposals is set out at Part 4, Section 3 of the Herefordshire Council Constitution; - 4.3.3 Process for developing framework items.

Aim and Objectives of the Budget Scrutiny

3. Budget scrutiny will aim to provide demonstrable constructive challenge to the budget proposals, identifying the main budget pressures and risks and ensure due diligence, particularly around sound financial management and budgetary controls. Scrutiny also has a role to play in testing assumptions, modelling and forecasting on which the Budget has been built; analyse the key risks and challenge how resources are prioritised. The role of scrutiny should be to review the strategic 'big picture' as well as the detail of a Budget and take an 'overview' across a council rather than just by department.
4. The aim and objectives for this budget scrutiny inquiry are:

Aim:

Budget scrutiny will aim to provide demonstrable constructive challenge to the draft budget proposals for 2023-2024, identifying the main budget pressures and risks.

Objectives:

- i). To consider the Cabinet's draft budget proposals for 2023-2024.
- ii). Receive evidence from Cabinet Members, senior departmental officers and any other relevant stakeholders.
- iii). To agree a summary scrutiny report of the process and key evidence considered and key findings and conclusions of the committee's budget scrutiny for submission to Cabinet for consideration and an Executive Response, as well as inclusion in the Council's budget papers.

Possible Outcomes for the Inquiry

5. The Budget Scrutiny process will provide and demonstrable challenge and oversight by elected members of the draft budget proposals and mid-year budget performance through questions to Cabinet Members, senior departmental officers and any other relevant stakeholders.

¹ 3.4.5, *Scrutiny committee remit*, Herefordshire Council Constitution 2022.

² 3.4.5b, *Scrutiny Management Board remit (table)*, Scrutiny committee remits, Herefordshire Council Constitution 2022.

6. At the end of the process the committee will agree a scrutiny report to outline the budget scrutiny process and the key conclusions on the budget proposals for submission to Cabinet.

The Budget Scrutiny Process

7. The process for scrutiny of the Council's budget proposals is set out at Part 4, Section 3 of the Herefordshire Council Constitution, Section 3 - The budget and policy framework rules, developing framework items, Herefordshire Council Constitution 2022³ (See section 4.3.3).
8. This requires the chairpersons of the Council's scrutiny committees to ensure that the scrutiny committee work programme includes consideration of the budget proposals⁴.
9. The scrutiny of the budget proposals should:
 - enable scrutiny members to inform the budget proposals to Council and
 - provide constructive challenge to the responsible cabinet member on the proposals⁵.
10. The Committee may receive evidence from Cabinet Members, Council officers and other witnesses.
11. The consultation period on the draft budget proposals should normally be not less than four weeks (unless the requirements of any statutory timetable or other council deadline make this impracticable)⁶.

Scrutiny of the Budget Proposals

12. The scrutiny of the Cabinet's draft budget proposals will normally include consideration of the published proposals, including any draft proposals for stakeholder consultation and draft proposals ahead of consideration by Cabinet to agree its final proposals to Council.
13. In the course of scrutiny of the budget proposals, the scrutiny committee may invite witnesses, including Cabinet Members and chief officers, to attend to answer questions from the committee⁷.

Report from the Scrutiny Committee⁸

14. Following the review of the draft budget proposals, the scrutiny committee may prepare a scrutiny report, setting out the budget scrutiny process, key witnesses, evidence considered and key conclusions⁹. (See 4.5.42, Herefordshire Council Constitution 2022)
15. The budget scrutiny report must be agreed by the Scrutiny Management Board¹⁰ and may then be submitted to Cabinet for consideration and Executive Response.

Executive Response

³ 4.3.3, *Process for developing framework items*, Herefordshire Council Constitution 2022.

⁴ 4.3.5 Herefordshire Council Constitution 2022.

⁵ 4.3.5 Herefordshire Council Constitution 2022.

⁶ 4.3.7 Herefordshire Council Constitution 2022.

⁷ 4.5.40 Herefordshire Council Constitution 2022.

⁸ 4.5.41 *Reports from the scrutiny committees*, Herefordshire Council Constitution 2022.

⁹ 4.5.42, Herefordshire Council Constitution 2022.

¹⁰ Following any investigation or review, the committee... shall prepare a report. Any report ...will first be considered by the relevant scrutiny committee. 4.5.42

16. The Cabinet will be requested to provide an Executive Response to any scrutiny reports and recommendations agreed by the scrutiny committee, in advance of the consideration of the budget proposals by full Council when the cabinet agrees its budget proposals for 2023-2024.
17. The Cabinet should have regard to the scrutiny report and any key conclusions and recommendations made and provide an Executive Response, including a response to any recommendations within it, which should be taken into account in making the Cabinet's budget recommendations to Council¹¹. (See (4.3.6 Section 3 - The budget and policy framework rules and 4.5.47, *Making sure that scrutiny reports are considered by the executive*, Herefordshire Council Constitution 2022)¹².
18. The Cabinet's budget proposals to Council should then be presented for consideration by Council and should include a summary of the responses to consultation including scrutiny responses (eg a scrutiny report agreed by the scrutiny committee(s))¹³.

Budget Scrutiny Meetings

19. At its meetings on 5th September 2022 and 7 October 2022 the committee received reports from the Director of Finance, which included the budget position, significant issues and pressures, including continued pressures from growth in demand and rising inflation on the Council's financial position and the need to identify options for additional income, savings and efficiencies to mitigate these pressures to achieve a balanced budget.
20. The committee considered:
 - Council priorities; how the objectives set of the County Plan was supported by the development of the 2023/24 budget and MTFs to align the council's financial resources.
 - Significant issues and pressures.
 - Pay inflation and incremental uplift.
 - Social Care inflation and rising demand.
 - General inflationary increases.
 - Key assumptions in pressures.
 - The Council's options to balance the budget.
21. The committee also considered next steps in drawing up budget proposals to mitigate the identified budget pressures to maintain the council's financial resilience, to ensure delivery of services within available resources and to minimise the impact on future financial sustainability and work to refine forecasts to inform the budget setting process for 2023/24 and the 2023/24 proposed budget setting timetable, including consultation arrangements.
22. The on 7th October 2022 the committee also considered Quarter 1 budget and performance report to seek assurance that progress had been made towards delivery of the agreed revenue budget and service delivery targets and that the reasons for major variances or potential under-performance were understood and were being addressed, as well as to provide an understanding of budget pressures that will inform the development of the 2023-

¹¹ Recommendations from scrutiny committee in relation to a budget and policy framework item will be reported to the executive who will have regard to that report, and provide a response to any recommendations within it, in making their recommendation to Council. 4.5.51

¹² The Cabinet should have regard to any scrutiny report and recommendations and comments that are made to it on the draft budget proposals and its report to Council should reflect those recommendations and comments and the cabinet's response to them (4.3.6 Section 3 - The budget and policy framework rules, Herefordshire Council Constitution 2022).

¹³ 4.3.10 Herefordshire Council Constitution 2022.

2024 budget proposals. The budget forecast for 2022/23 outturn indicated a net overspend of £9.4 million.

23. On 9th January 2023 the committee is expected to consider the Council's Treasury Management Strategy, as well as the Quarter 2 budget and performance report.
24. On 17th January 2023 the committee is expected to receive a report on the Cabinet's draft budget proposals for 2023-2024, and hold two consecutive sessions to question Cabinet Member portfolio holders and chief officers on from each of the Council's main service areas.
25. The committee is thereafter expected to agree its main conclusions and a scrutiny report, which may be submitted to Cabinet for consideration in line with the budget scrutiny process set out in the Constitution (as set out above).
26. The Cabinet is expected to agree its final budget proposals, along with an Executive Response to the scrutiny committee report and key conclusions and any recommendations on Thursday 26 January 2023.
27. The Council is expected to consider the Cabinet's budget proposals, along with any report from the scrutiny committee, on Friday 10th February 2022.
28. The schedule of evidence sessions for budget scrutiny is attached at Appendix 1.

Community Impact

29. In accordance with the adopted code of corporate governance, the council is committed to promoting a positive working culture that accepts, and encourages constructive challenge, and recognises that a culture and structure for scrutiny are key elements for accountable decision making, policy development and review. Topics selected for scrutiny should have regard to what matters to residents.

Environmental Impact

30. Whilst this is an update on the work of the scrutiny committees and will in itself have minimal environmental impacts, consideration has been made in the consideration of Executive decisions and the Executive Responses provided by the Cabinet.

Equality Duty

31. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
32. A public authority must, in the exercise of its functions, have due regard to the need to –
 - a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
33. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are

paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. Whilst this is an update on the work of the scrutiny committees and will in itself have minimal equalities impacts, further consideration of any equalities impacts will be made in the consideration of Executive decisions and the Executive Responses provided by the Cabinet.

Resource Implications

34. The costs of the work of the committee will have to be met from existing resources. It should be noted the costs of running scrutiny can be subject to an assessment to support appropriate processes.
35. The councillors’ allowance scheme contains provision for co-opted and other non-elected members to claim travel, subsistence and dependant carer’s allowances on the same basis as members of the council. If the committee agrees that co-optees should be included in an inquiry they will be entitled to claim allowances.

Legal Implications

36. The council is required to deliver a scrutiny function. The development of a work programme which is focused and reflects those priorities facing Herefordshire will assist the committee and the council to deliver a scrutiny function.
37. The Scrutiny Rules in Part 4 Section 5 of the Council’s Constitution provide for the setting of a work programme, the reporting of recommendations to Cabinet and the establishment of task and finish groups within the committee’s agreed work programme.
38. There are no specific legal implications arising from this report which provides the process for undertaking scrutiny of the Council’s budget proposals in accordance with the statutory roles and powers of scrutiny committees and the process in the Council Constitution. Any legal implications arising from Cabinet Decisions will be detailed in the relevant Cabinet report.

Risk management

Risk / opportunity	Mitigation
There is a reputational risk to the council if the scrutiny function does not operate effectively.	The arrangements for the development of the work programme should help mitigate this risk.

Consultees

The Chair of the Scrutiny Management Board.

Appendices

Appendix 1 - Budget Scrutiny:- Schedule of Evidence Sessions

Background papers

None identified.