

# Title of report: Financial Strategy Work Programme

**Meeting: Scrutiny Management Board**

**Meeting date: 25 July 2023**

**Report by: Statutory Scrutiny Officer**

## **Classification**

Open

## **Decision type**

This is not an executive decision

## **Wards affected**

(All Wards);

## **Purpose**

To provide a draft terms of reference and work programme to the Scrutiny Management Board for their work in scrutinising Herefordshire Council's financial strategy and budget setting.

## **Recommendation(s)**

**That:**

- a) Scrutiny Management Board considers the work programme for scrutinising financial strategy and budget setting;**
- b) approves the work programme subject to any amendments it requires;**
- c) identifies topics of focus for the committee's work as listed in paragraphs 7 and 8 of this report; and**
- d) further identifies training or topic briefing required to support their work.**

## Alternative options

1. Scrutiny Management Board could decline to carry out any scrutiny of financial strategy or budget setting. If the board decided to do so, it would fail to meet one of the core objectives of the committee.
2. Scrutiny Management could delegate any scrutiny of financial strategy and budget setting to a task and finish group, which would then report back to the committee. This would add extra administrative burden to the work, for which the committee would need to provide adequate justification.

## Key considerations

3. The Centre for Governance and Scrutiny (CfGS) and The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced guidance on carrying out scrutiny of financial strategy. They state that:

*“All councillors have what is known as a ‘fiduciary duty’ to look after the interests of local taxpayers in the management of the council’s resources. The Local Government Act 2003 places a responsibility on councils to ensure that councillors in general play some role – which the Act does not specify – in the oversight of financial matters.”*

Although the Scrutiny Management Board has a duty to scrutinise financial strategy, it is left to the discretion of the board to determine how to discharge this responsibility.

4. The guidance provides four areas where a scrutiny committee can add the most value to the budget setting process:
  - a. **Reviewing how resources are allocated, monitoring how they are used, and examining their impact.** This is about following through from budget development and planning to the delivery of a budget, and oversight over how the budget is spent and the impact of that spending. It links to the way that scrutiny selects and prioritises its work. This work will need to cover short-term (budget setting), medium-term (medium term financial strategy) and long-term (reserves strategy). This could include a review of service savings delivery plans, and the process by which savings are identified and developed within the budgeting process.
  - b. **Reviewing the integration between financial planning and service delivery planning:** what is the level of integration between corporate and service planning and performance and financial management? This will to some extent explore how the medium-term financial strategy supports policy development, and whether policy is grounded in realistic financial strategy. For example, scrutiny of the council’s performance on child protection should also involve a review of budgets for related services. Understanding the resource envelope within which a service operates – and the limitations, restrictions and opportunities that this envelope provides the council in how it works together with partners – means that debate on substantive policy issues (and recommendations made as a result) will be more robustly framed by an understanding of the financial issues.
  - c. **Testing out and making explicit whether the council is directing its resources effectively** to meet its priorities and demonstrating whether it is achieving value for money, equity and social value from both statutory and discretionary spending. A key

role for the committee will therefore be to determine how the local authority defines 'value for money.

d. **Providing, through scrutiny in a public forum, challenge to the executive's management of the council's finances, and a different perspective on challenges.**

This is about scrutiny having a clearly defined role, and bringing something unique to the table in how it goes about its work.

5. In order to provide this level of scrutiny of financial strategy, a council's scrutiny committee will need to conduct its programme of work over the course of the financial year (April to March). This will allow the committee to better understand:
  - a. The broad resource constraints (funding, macroeconomic factors such as inflation, capacity to recruit);
  - b. The strategic and policy objectives of the council over the next five years, as contained in the current and future iterations of the County Plan;
  - c. How financial strategy uses budget setting to meet its objectives in the context of financial constraints; and
  - d. How different ways of working will make best use of resources and deliver better services, for example with children's and adult services.
6. Although it is already somewhat late in the financial cycle of 2023-24, the committee should begin its work now so it is prepared to be appropriately involved in the financial process in future years (2024-5 and beyond) from April 2024.
7. The committee will therefore need to consider the following for the year ahead:
  - a. How it will track the development of the budget.
  - b. How it will use the existing and updated medium-term financial strategy to inform its scrutiny of the budget.
  - c. Areas of knowledge development. These may include:
    - i. How council finances work
    - ii. The role of the project management function
    - iii. How scrutiny, cabinet, and audit and governance fit together.
  - d. Topic areas on which to focus the committee's work. These should be discrete areas of council practice where the council's financial strategy will inform policy development and vice versa.
8. The chair and deputy of this committee have identified four potential areas of focus for their work:
  - a. How the Council uses its borrowing power to best effect in delivering on its strategic objectives
  - b. How we manage our capital assets to deliver value and how we plan and deliver our capital investment programme to meet our strategic objectives
  - c. Income and Charging – are we making the most out of our flexibilities and freedoms? Where do we charge? Why? And how is that income then used?

- d. Public engagement in the budgeting process – why do we do it, when we do it and could we do it better?

9. The table below outlines a suggested draft programme of work for the committee.

<b>Date and meeting type</b>	<b>Topic</b>
Committee Meeting 25 July 2023	Agree programme of work, including any potential thematic task and finish group.
Briefing August 2023	Medium-term financial strategy
Briefing September 2023	Treasury Management and use of reserves
Committee Meeting 19 September	Proposed consultation approach for the 2024-25 Budget Income and charging Agree corporate and cross-cutting topics for the work programme
Briefing October 2023	Asset management for value and for income
Committee Meeting 21 November 2023	Capital investment programme Closer working with parish councils
Briefing and informal meeting December 2023	How councils use their borrowing power Strategic planning for infrastructure delivery
Committee Meeting January 2024	Scrutiny of the draft budget Agree draft report to Cabinet

### **Community impact**

10. This programme of work seeks to maximise its beneficial impact on communities by:
- a. scrutinising the proposed consultation approach for the 2024-5 budget;
  - b. closer working with parish councils; and
  - c. determining any engagement with communities in carrying out this work.

### **Environmental Impact**

11. In its work to scrutinise how financial strategy underpins policy development and service delivery, the committee should ensure that strategy, policy and service delivery all align with corporate commitments on climate action.

### **Equality duty**

12. The proposed programme of work includes a proposal to scrutinise public consultation on the 2024-25 budget. This work should consider how the consultation process engages with hard to reach groups. The committee should also consider the impact of budget decision and financial strategy prioritisation on disadvantaged groups.

### Resource implications

13. Scrutiny of financial strategy is part of Scrutiny Management Board's 'business as usual'. There are therefore no direct resource implications in carrying out this work.

Seeking early agreement to the plan for financial scrutiny is important to ensure that adequate resources are allocated to the work and that reports and meetings are appropriately supported.

### Legal implications

14. There are no direct legal implications relating to this report.

### Risk management

15. There are no risks directly associated with the contents of this report. Should any risks arise in the future they will be managed in accordance with the council's Risk Management Plan.

### Consultees

16. There have been no consultations in preparing this report.

### Appendices

17. Appendix 1 Chartered Institute of Public Finance and Accountancy, Financial Scrutiny Practice Guide

### Background papers

Chartered Institute of Public Finance and Accountancy, Financial Scrutiny Practice Guide

### Report Reviewers Used for appraising this report:

Please note this section must be completed before the report can be published		
Governance	Click or tap here to enter text.	Date Click or tap to enter a date.
Finance	Judith Tranmer	Date 14/07/2023
Legal	Emma-Jane Brewerton	Date 17/07/2023
Communications	Click or tap here to enter text.	Date Click or tap to enter a date.
Equality Duty	Harriet Yellin	Date 14/07/2023
Procurement	Lee Robertson	Date 14/07/2023
Risk	Kevin Lloyd	Date 16/07/2023
Approved by	Click or tap here to enter text.	Date Click or tap to enter a date.