
REPORT TO:	FINANCE & MANAGEMENT COMMITTEE	AGENDA ITEM:	5
DATE OF MEETING:	18 FEBRUARY 2003	CATEGORY:	RECOMMENDED
REPORT FROM:	CORPORATE SCRUTINY COMMITTEE	OPEN:	
MEMBERS' CONTACT POINT:	CLLR R BELL (CHAIR OF THE CORPORATE SCRUTINY COMMITTEE)	DOC:	
SUBJECT:	REVIEW OF THE BUDGET PROPOSALS	REF:	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:	FMO8

1.0 RECOMMENDATIONS

1.1 That the Finance and Management Committee in making recommendations to Council on the budget proposals:

- receives this report
- considers the recommendations made in section 5 of this report

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to:

- review the consultation that has taken place on the budget proposals for 2003/04
- set out the Committee's views on the robustness of the proposals
- make recommendations in respect of future arrangements for the development of the budget and the management of Council finances

3.0 DETAIL

SETTING THE SCENE

3.1 A role of the Corporate Scrutiny Committee is to assist the Finance and Management Committee to develop the budget proposals.

3.2 The Finance and Management Committee agreed the budget timetable and related arrangements on 17 October 2002. These included the establishment of the Service

and Financial Planning Working Group and the 'scoring' criteria for capital and revenue bids.

- 3.3 The Service and Financial Planning Working Group met on 11 December 2002. Members considered the capital programme for 2003/04, the General Fund Revenue Budget (including the base budget position, proposals for additional spending, possible savings and potential levels of Council Tax) and the Housing Revenue Account Budget.
- 3.4 Feedback from the Working Group was reported to the Finance and Management Committee on 16 January 2003. At that meeting, members agreed a series of proposals that would form the basis of consultation with local people and other stakeholders. In terms of the General Fund, these proposals included:
- net Revenue spending of £8.69 million
 - a potential Council Tax increase of 3.5%
 - new spending proposals equating to £508,000 over three years
 - forecast balances at the end of 2005/06 of approximately £1 million (after taking into account the new spending proposals)

CONSIDERATION BY THE CORPORATE SCRUTINY COMMITTEE

- 3.5 Members have discussed the budget on 4 occasions, as outlined below:

Date	Main topics
28 October 2002	Arrangements for developing the budget and financial projections
9 December 2002	Progress on preparing the budget and the Government's financial settlement
27 January 2003 <i>Special Meeting</i>	Key aspects of the budget proposals
9 February 2003	Consultation with local people and other stakeholders and further clarification of specific budget issues

- 3.6 The main consideration took place at the special meeting on 27 January. Areas explored with officers comprised:
- the current financial situation (including projected underspends in 2002/03, pension liabilities, debt, capital recipes and reserves)
 - the presentation of financial information to Members and local people
 - budgetary control
 - the probable outturn for 2002/03 and proposals for 2003/04 and beyond (including levels of expenditure, income and reserves)
 - the 'bidding' process for new spending proposals
 - risk assessment
- 3.7 Minutes of these meetings can (or will) be found in Council Minute Books Volumes 4, 5 and 6.

4.0 COMMITTEE COMMENTS

INTRODUCTION

4.1 The Committee's comments focus on six main areas, largely associated with the General Fund Revenue Budget:

- managing and monitoring Council finances
- consultation
- the presentation of financial information
- use of earmarked reserves
- assessment of new spending proposals
- budget proposals overall

MANAGING AND MONITORING COUNCIL FINANCES

4.2 The Committee noted that this year the circumstances surrounding the development of the budget had been favourable with:

- projected healthy balances at the start of the three year budget planning period (i.e. £1.98 million at March 2003)
- a 2.3% Increase in the Council Tax base (from 27,509 to 28,137)
- a 10% actual increase in the level of Government grant
- a surplus on the Council Tax Collection Fund of £43,000

4.3 Members also noted that net revenue spending for 2003/04 of £8.69 million was some 14.1% greater than the probable outturn for 2003/04. It was appreciated that this was due to the 'worst case' scenario of full staffing levels together with cautious assumptions about levels of income (e.g. in relation to fees from planning and building regulation applications).

4.4 The Committee was advised that the new Financial Management System would provide up to date information for budget monitoring purposes.

CONSULTATION

4.5 Consultation on the budget proposals took the form of presentations at Area Meetings, an invitation to representatives of business and community groups to meet with the Finance and Management Committee and discussions at the Joint Negotiating Group (JNG) with employee representatives.

4.6 The Committee was advised that around 250 people had attended the Area Meetings. The Chief Finance Officer indicated that whilst local people were pleased that the Council was prepared to explain its proposals, some felt (especially members of Parish Councils) that it would be better if they could be consulted earlier in the process and possibly by other mechanisms, such as focus groups. Also, at two of the Area Meetings, the item on the budget had appeared towards the end of the agenda and officers were concerned that there was insufficient time for meaningful discussions.

- 4.7 The need to review arrangements for consulting local people and other external stakeholders is given added impetus by the fact there were no representatives from business and community groups at the specially convened meeting of the Finance and Management Committee on 27 January.
- 4.8 The Committee noted that employee representatives at the JNG meeting were supportive of the budget proposals and had welcomed the plan to increase staff in areas under pressure.

PRESENTATION OF FINANCIAL INFORMATION

- 4.9 The formal detailed presentation of the accounts and budgets was not easily understood by non accountants. This prompted discussions around the different ways of presenting financial information to enable greater understanding.
- 4.10 Whilst the Committee appreciated that the presentation of the accounts needed to comply with appropriate accounting standards, it was felt that an additional simplified format ought to be developed (e.g. in the format of departmental trading accounts).
- 4.11 The regular reporting to Members of financial matters via the 'Finance Briefing' was commended.
- 4.12 The Committee also considered that all Members should receive induction and refresher training in Council finances.

EARMARKED RESERVES

- 4.13 The Committee was advised that monies were held in reserves earmarked for specific purposes. In terms of the probable outturn for 2002/03, the Committee noted a contribution of £265,000 from earmarked reserves compared with the approved budget sum of £16,000.
- 4.14 Members considered that a review of the controls and reporting requirements for contributions to and from earmarked reserves should be undertaken.

ASSESSMENT OF NEW SPENDING PROPOSALS

- 4.15 The Committee welcomed the implementation of proposals that it made last year to involve Members in the scoring of new spending proposals.
- 4.16 Approximately 100 capital and revenue bids had been submitted and the Committee acknowledged the large amount of time spent by officers and members in assembling and assessing these bids.
- 4.17 The Committee reviewed the criteria that had been agreed for assessing bids and observed that 50% of the potential 'score' for each bid related to purely financial considerations. The Committee felt that this did not fully address the Council's priorities as set out in the Corporate Plan or the contribution that a successful bid would make to improved services or facilities.

BUDGET PROPOSALS OVERALL

- 4.18 The Committee welcomed the Government's decision to increase the level of grant to the Council and was assured that this level of grant was likely to be maintained in the near future.
- 4.19 It was felt that this is a cautious budget, which would leave scope for additional spending to be considered during the year.

5.0 RECOMMENDATIONS

5.1 It is recommended that:

- arrangements for consulting local people and other external stakeholders be reviewed, especially in relation to the type and timing of consultation initiatives. The use of focus groups, prior to the production of any budget figures, is an important option that should be explored further.
- the presentation of financial information be reviewed in order to meet the needs of members and others for simple and easy to understand financial data
- the Collection Fund Surplus of £43,000 be returned directly to South Derbyshire Council Tax payers.
- all members receive induction and refresher training in Council finances.
- the controls and reporting requirements for movements to and from earmarked reserves be reviewed and defined more clearly in the financial regulations and procedure rules.
- a review be undertaken by the Corporate Scrutiny Committee of the assessment of new spending to provide a clear focus on the Council's aims and to minimise the time necessary for the preparation of bids.

