



REPORT TO:	FINANCE & MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM:	8
DATE OF MEETING:	23 February 2006	CATEGORY:	DELEGATED
REPORT FROM:	CORPORATE SCRUTINY COMMITTEE	OPEN:	
MEMBERS' CONTACT POINT:	COUNCILLOR STUART MURPHY (CHAIR OF CORPORATE SCRUTINY COMMITTEE)	DOC:	
SUBJECT:	BUDGET PROPOSALS 2006-2009	REF:	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE:	

1.0 RECOMMENDATIONS

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

- receives this report,
- produces a project plan for the 'Shifting Resources' Project as soon as possible and recommends a 2-stage approach of agreeing the process and then undertaking the review work. The committee offers to support the development of the process and recommends Finance & Management committee to accept that offer,
- welcomes the Government's decision to move to a two year financial settlement,
- ensures that 'value for money' information (linking costs to performance) is collected across all Council services in 2006/7 and that 'value for money' is robustly challenged by members and senior managers,
- ensures that performance monitoring reports are made available on the intranet and internet,
- receives regular reports on risk management,
- takes steps to identify additional resources for new capital investment.

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to:

- outline the Committee's views on the development of the 2006/09 budget
- make recommendations in respect of the future arrangements for the effective management of Council finances

3.0 SETTING THE SCENE

Role of the Committee

- 3.1 Under the Council's Constitution, the Corporate Scrutiny Committee is responsible for assisting the Finance and Management Committee to develop the budget strategy and annual budget and for scrutinising the performance of Council and/or policy committees in respect of financial management (Article 6).

Lines of Enquiry

- 3.2 The Committee held a special meeting on 30 January 2006 to discuss the budget strategy with officers. Councillors Bell and Harrington also attended.
- 3.3 Members focussed their questions on 5 main areas:
- Priorities
 - Challenge
 - Performance
 - Risk analysis
 - Revenue and capital spending

The specific questions can be found in Appendix A.

- 3.4 This approach highlighted a number of key issues, which are discussed in more detail in the next section.

4.0 KEY ISSUES ARISING FROM QUESTIONS

Priorities

- 4.1 Officers advised the Committee of the process so far in the preparation of the budget, including linkages to consultation on the emerging Corporate Plan.
- 4.2 Members noted that whilst the 'scoring mechanism' for assessing new service developments had been amended to align with the with the new Corporate plan themes, a similar mechanism was not in place for evaluating base budgets.
- 4.3 Officers pointed out that the overarching financial strategy agreed by the Finance and Management Committee in November 2005, had recognised the need to look in more detail at base budgets and to develop mechanisms for 'shifting resources' from existing services to new or higher priorities. At present, officers were researching how this might operate in practise - whilst they intended to commence the process early in the new financial year, they also acknowledged that it would take time to complete.
- 4.4 The Committee concluded that the Finance and Management Committee should produce a project plan as quickly as possible, setting out the scope of the project, how it will be delivered, key milestones, relationship to other service and financial planning mechanisms and the role of members in the process.

- 4.5 Members also discussed with officers how the budget is contributing to the Council's medium term financial plan. We were advised that the budget is an integral part of this plan, and that revenue spending is planned over a three-year period.
- 4.6 The Committee considered that the Government's move to a two year financial settlement was a positive step forward in helping the Council to plan its spending.
- 4.7 However, the Council still faces a number of challenges, such as identifying and then funding the long-term aspirations of the Corporate Plan. A range of options will need to be examined in order to 'free up' resources for these priorities.

Challenge

- 4.7 Our questions sought to establish whether the Corporate Management Team (CMT) was in a position to robustly challenge managers to deliver greater efficiency from their budgets.
- 4.8 The Committee was advised that whilst the 'Gershon' efficiency agenda had raised the profile of this issue within the organisation, CMT did not currently have the necessary 'value for money' information linking costs to performance for all Council services.
- 4.9 Officers indicated that this had been an important 'learning point' from the Audit Commission's recent Use of resources/Value for Money Assessment and they were now developing arrangements for collecting this information. The information would also be used to identify service areas where more detailed efficiency reviews are required.
- 4.10 The Committee also identified the need for changes in the culture of the organisation to deliver a value for money approach. Members felt that this issue would need to be addressed through a variety of mechanisms (such as the development of our approach to procurement).

Performance

- 4.11 The Committee was advised that whilst the Council's performance had improved over the past year, we were not moving ahead as fast as other Councils (a view expressed in the 2005 Best Value Performance Plan and shared by our Auditors.). Officers agreed that this was due in part to the fact that performance had not been robustly challenged across the organisation.
- 4.12 The Finance and Management Committee had adopted the 'Achieving More' Performance Management Framework in November. The Framework takes a holistic view of performance based on a systematic approach to performance measurement and review and regular reports using 'traffic lights' to indicate progress against targets. The first round of reports was considered by the Improvement Panel in December and the second, (covering the period to the end of December) is about to be finalised.
- 4.13 Officers felt that the position was improving, although there are still some issues that will need to be addressed. The main one is to set stretching targets which will

support improved performance that will be evident to local people. Members considered that the use of 'benchmark' data from comparator Councils would assist in this process.

- 4.14 The Committee would also recommend that arrangements be made to ensure that performance reports are produced on a timely basis and that the reports are made available on the intranet and extranet so that internal and external stakeholders can view them.

Risk Analysis

- 4.15 The Committee sought to establish what risk analysis is undertaken on high spending areas.
- 4.16 Officers explained that our approach is focused on a comprehensive risk register, which it is planned to update on a quarterly basis. A key issue is to determine the critical risks (from the whole list) through a robust challenge process. The Council's insurers were assisting in this process.
- 4.17 Councillor Bell outlined his role as 'Member Champion' and the work undertaken to date (particularly in terms of the high risk areas).
- 4.18 The Committee recognised the progress that was being made in this area. Members also considered that regular reports should now be made to the Finance and Management Committee to ensure that risk management is embedded in the culture of the organisation.

Revenue and Capital Spending

- 4.19 Officers highlighted the forecasted shortfall in capital funding (in the order of £350,000) and the potential impact on the current 5-year planned programme. Resources would need to be identified to finance any new proposals.

5.0 CONCLUSIONS

- 5.1 This year, the Committee has again chosen to focus on arrangements for the development of the budget rather than on the contents of the budget 'per se' because Members consider that this is an area, which underpins many areas of the Council's work.
- 5.2 The recommendations made in the report are intended to assist Members to ensure that financial resources are aligned to corporate and service priorities; to successfully implement the 'shifting resources' project; to ensure that 'value for money' is obtained in everything we do; and, to ensure that performance is actively managed and reported to all stakeholders.
- 5.2 Finally, the Committee would like to thank the Deputy Chief Executive, Director of Corporate Services and the Head of Finance and Property Services for their contributions to our meeting.