

To: Scrutiny Board, 26 May 2011

From: Andy Wood, Acting Corporate Director, Finance & Procurement

Subject: **Involvement of Informal Member Groups in Developing Budget and Medium Term Financial Plan proposals for 2012/15**

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Summary: To set-out the arrangements for informal consultation about budget options for 2012/15 in advance of Policy Overview and Scrutiny Committees (POSC) budget discussions in November and January.

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## **1. Background**

1.1 We have entered a period of budget contraction which will continue to at least 2014/15. In these circumstances we need to reconsider how to engage POSCs in the budget planning process and in particular:

- inform on falling/changing grant regime
- challenge base budget provision
- investigate unavoidable spending pressures
- consider options for service improvement/enhancement
- question current spending levels/value for money
- evaluate service levels and impact of reductions
- advise on possible savings/income generation options

1.2 Traditionally we have sought views from POSCs on their policy priorities for the forthcoming budget in the November round of meetings. These debates have often been difficult as at this time in the year it is not possible to be certain of the level of Government Grant or likely cash limits for individual portfolios. We have provided POSCs with indicative cash limits and asked them to consider what their priorities would be to meet these targets.

1.3 In January we present the full draft budget proposals to each POSC for formal consultation. These debates have also been difficult as in many cases POSC members have not had the budget proposals for more than a few days and have had little time to digest the impact. If we do not release the draft budget until after Christmas break, and we want the County Council budget meeting to take place on 2<sup>nd</sup> or 3<sup>rd</sup> Thursday in February, it is inevitable that the POSC timetable in January is rather tight.

1.4 We have encouraged POSCs to establish an Informal Member Group (IMG) to get into portfolio budgets in more depth to inform the November and January meetings. We have also run training sessions in the summer to help provide members with appropriate tools to provide policy advice on budget priorities and scrutinise budget proposals. IMGs made good progress last year but were hampered by the lack of information prior to Spending Review announcements in October and provisional grant settlements in December.

1.5 In a period of challenging budgets it is essential that POSCs are more engaged in the decision making process prior to the publication of the Council's proposed Budget and Medium Term Financial Plan. The paper includes an outline of the timetable for agreeing the budget. A flow diagram of the budget cycle is attached as appendix 1.

1.6 This paper explores how we can build on the IMG process to help achieve the objectives outlined in paragraph 1.1 (especially for 2012/13 assuming the Government stick to the provisional grant settlements announced as part of the 2011/12 settlement) and to anticipate the greater freedoms which may come following the review of local government funding due to be implemented for 2013/14.

## **2. Budget Information**

2.1 We have endeavoured to improve the general transparency of the budget through the introduction of an A to Z of services by portfolio. The aims of the new A to Z format were:

- Provide a public facing presentation of the budget which provides information in a clear format
- Improve clarity between the services which are funded by specific government grant as opposed to those funded by general grants and Council Tax (over which members have more discretionary powers)
- Distinguish between spending on what the public would perceive as front-line services and back-office management and support
- Establish a clearer link between the amount of money spent and the level of service provided/anticipated outcomes
- Only identify spending at an appropriate level of significance to ensure that large amounts are adequately explained and small amounts are aggregated

2.2 We believe we have made steps in the right direction with the A to Z although the information does require some polishing particularly in relation to the last 3 bullet points. We would welcome POSC & IMG comments on the presentation and further changes which would better explain the Council's budget.

2.3 We have also produced the budget in a separate manager analysis by directorate. The main purpose of the manager analysis is to provide delegated authority to responsible managers and thus is of less interest to POSCs/IMGs. It is our intention that managers should be named and identified at Head of Service level i.e. two levels below the Corporate Director and include all direct reports to Directors. We have not attempted to link budget managers to individual front-line services as we consider this unnecessary and too complicated.

2.4 The manager analysis includes information on total FTEs reporting to each Head of Service. It is our intention that this should represent "establishment" i.e. FTE posts that can be afforded within the budget, and

thus would include any vacancies. Over time members will be able to see the movement of FTEs.

2.5 We would also welcome POSC/IMG feedback on the presentation of information in the Medium Term Financial Plan. This sets out the main variations from the current year's budget and the plan for the next two years. We have tried to incorporate FTE information into the MTFP but this is virtually impossible in a meaningful way without compromising formal staff consultation.

2.6 As well as the budget book we have previously provided members with comparative benchmark data. This includes the Society of County Treasurers comparative graphs "the Somerset model" even though we recognise this has some shortcomings it remains the best available information to make a comparison of relative cost and performance for particular services. We still recommend that the best comparisons must look at cost and performance to identify areas where investment is needed and/or we can accept reduced spending.

2.7 The A to Z of services includes additional information on activity levels and anticipated outcomes. As well as benchmarks with other authorities we suggest that POSC/IMGs should use this information to consider internal benchmarks within KCC.

2.8 We have several year's worth of evidence from public consultation we have conducted through MORI workshops. We propose that the more recent reports from these workshops should be circulated to IMG members. We intend to conduct further public research in advance of publishing the proposed 2012/13 budget. The budget to pay for MORI workshops was cut as part of the 2011/12 budget savings as we feel we now have sufficient expertise to conduct our own research without engaging expert support. We envisage we will still need MORI's help from time to time but cannot justify the expense of a full research exercise each year.

2.9 We will continue to explore ways in which we can collect public opinion on spending priorities through an on-line exercise although we recognise this has limitations and is unlikely to provide the same quality of information although should provide a broader research base. Members remain an invaluable to the process through their engagement with local communities.

2.10 We propose that each IMG will have a senior finance officer to act as facilitator. In general this will be the relevant Business Partner although from time to time support may be needed from the Head of Financial Strategy. Each IMG will be given a framework to follow as set out in appendix 2.

### **3. Timetable**

3.1 We have arranged two training sessions in June and July which should be of interest to IMG members. The first session on 16<sup>th</sup> June will provide an overview of the current Local Government Funding arrangements at both a national and local level. The second session on 5<sup>th</sup> July will build on the work

with POSC members over the last couple of years and look at practical ways to help members scrutinise budgets.

3.2 Following these sessions we suggest IMGs should look to hold at least 3 sessions between July to mid October. These sessions should cover an in-depth evaluation of the 2011/12 budget for the relevant portfolio/directorate, exploration of alternatives available and conclusion on what should be the priorities for the portfolio/directorate over the forthcoming medium term period.

3.3 IMGs should be looking to report back to the appropriate POSC for the November meeting.

#### **4. Recommendations**

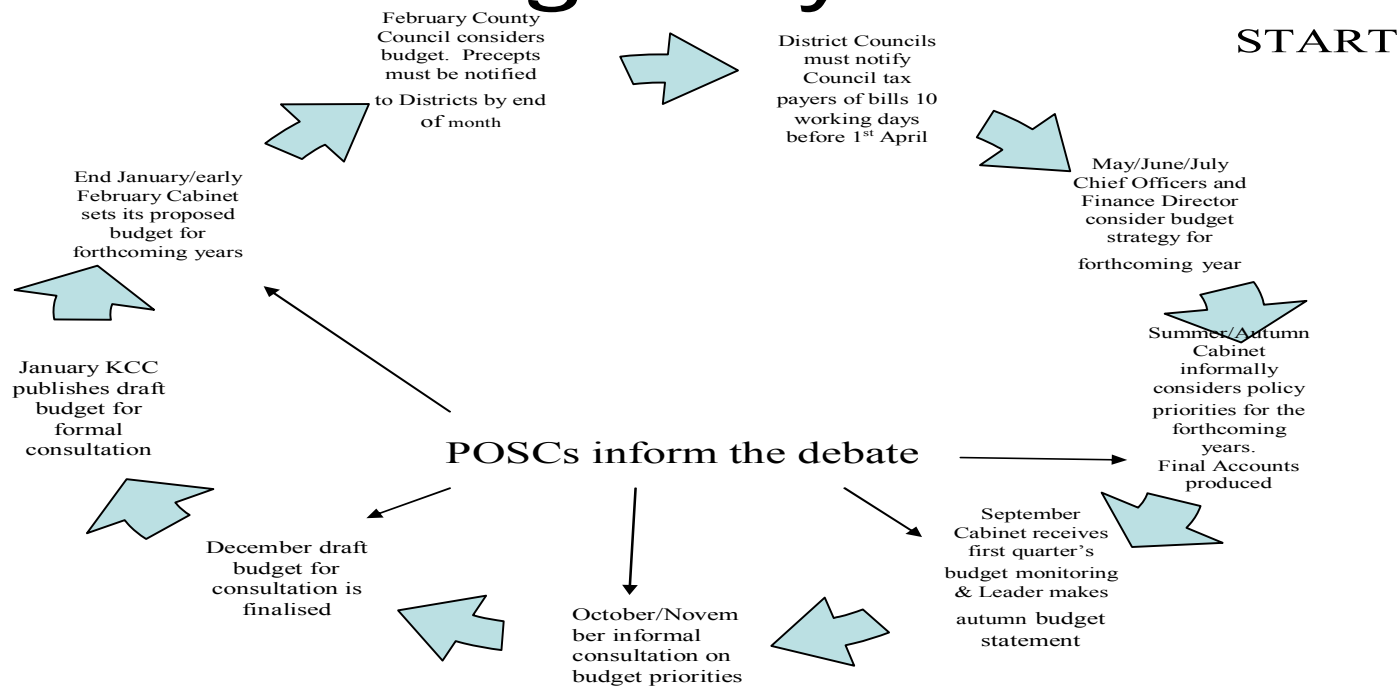
4.1 Scrutiny Board is asked to comment on the following:

- a) The framework and background budget information to IMGs outlined in paragraph 2
- b) The timetable for IMG consideration of the 2012/13 budget and 2012/15 MTFP outlined in paragraph 3

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# Budget Cycle



## IMG Framework

Date of meeting	Purpose	Core Information	Anticipated Outcome
July	<ul style="list-style-type: none"> <li>• Scrutinise 2011/12 Budget and 2012/13 MTFP</li> <li>• Provisional grant settlements 2012/13</li> </ul>	<ul style="list-style-type: none"> <li>• 2010/11 Outturn</li> <li>• Budget Book</li> <li>• Medium Term Financial Plan</li> <li>• Business Plan(s)</li> <li>• Directorate Plan</li> <li>• Core Monitoring Outturn</li> <li>• Benchmarking and other statistical information</li> <li>• Provisional grant settlements</li> </ul>	<ul style="list-style-type: none"> <li>• IMG members should be better informed about the assumptions underlying the current budget/MTFP and able to challenge level of base budget and comment on the presentation of information</li> <li>• IMG members should be aware of the grant settlement assumptions for 2012/13</li> </ul>
September	<ul style="list-style-type: none"> <li>• Monitoring 2011/12</li> <li>• Options for 2012/13 to 2014/15</li> <li>• Update on grant regime</li> </ul>	<ul style="list-style-type: none"> <li>• As above</li> <li>• Budget Monitoring update</li> <li>• Core Monitoring update</li> </ul>	<ul style="list-style-type: none"> <li>• IMG members should be able evaluate unavoidable spending increases</li> <li>• IMG members should investigate options for service improvements/enhancements</li> <li>• IMG members should be informed off potential impact on service levels of budget savings options</li> </ul>
September/ October (reserve)	<ul style="list-style-type: none"> <li>• Same as above</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above</li> </ul>	<ul style="list-style-type: none"> <li>• Same as above</li> </ul>
End of October	<ul style="list-style-type: none"> <li>• Finalise proposals for 2012/13 to 2014/15</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring updates</li> </ul>	<ul style="list-style-type: none"> <li>• Agree report to POSC</li> </ul>