

Society, Environment, and Council Development Executive Advisory Board Report

Ward(s) affected: All

Report of Director of Corporate Services

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## **Councillor involvement in the preparation of the Budget**

### **Executive Summary**

In January 2014, the former Corporate Improvement Scrutiny Committee established the Finance Scrutiny Group (FSG) in response to councillor requests for greater involvement in the budget setting and monitoring processes and to implement a recommendation from the Council's external auditor at that time.

The FSG comprised six councillors and its terms of reference were agreed as follows:

- (1) To receive and scrutinise full budget monitoring reports
- (2) To review general fund and capital programme draft budgets and inform the evaluation of growth bids
- (3) To review provision of financial information to the Scrutiny Committee, Executive and Council to ensure that it is relevant, user friendly and at the appropriate level of detail.

Following the review of governance arrangements in 2015, the Council established the two executive advisory boards (EABs) and the Overview and Scrutiny Committee, and also amended the terms of reference of the Corporate Governance and Standards Committee to include the consideration of quarterly budget monitoring reports. Since that time, the FSG has not met, and the need to establish a successor group was identified at the recent EAB/Overview and Scrutiny Work Programme meeting.

The governance review findings specifically envisaged the EABs playing a vital role in budget preparation, with budget monitoring being performed by Corporate Governance and Standards Committee, as stated above.

To that end, it is proposed to establish a joint EAB Budget Working Group, comprising of councillors of both EABs, whose terms of reference should be:

To consider and review for submission to the EABs, Executive and Council:

- (1) the draft General Fund and Housing Revenue Account revenue budgets, and
- (2) the draft General Fund and Housing Revenue Account capital programmes, including growth bids to inform the evaluation process.

As it is a joint EAB working group, it is suggested that each EAB appoints three councillors to serve on the working group for the 2016-17 municipal year. The chairman of the working group will be elected from the six working group members, and the Lead Councillor for Finance would attend meetings of the working group in an ex officio capacity, in exactly the same way the lead councillor with responsibility for finance previously attended meetings of the FSG.

A similar report will be considered by the Borough, Economy and Infrastructure EAB at its meeting on 12 September 2016.

**Recommendation:**

- (1) That a Joint EAB Budget Working Group be established, comprising of councillors of both EABs, with the following terms of reference:

To consider and review for submission to the EABs, Executive and Council:

- (i) the draft General Fund and Housing Revenue Account revenue budgets, and
  - (ii) the draft General Fund and Housing Revenue Account capital programmes, including growth bids to inform the evaluation process.
- (2) That this EAB appoints three councillors to serve on the Budget Working Group for the 2016-17 municipal year.

Reason for Recommendation:

To ensure backbench councillor involvement in the budget setting process.

**1. Purpose of Report**

- 1.1 To seek agreement to establish a Joint EAB Budget Working Group to work with the Lead Councillor for Finance and officers in preparing the draft revenue budgets and capital programmes for consideration formally by the EABs, the Executive and Council.

## **2. Strategic Priorities**

- 2.1 The budget is the financial expression of the Council's strategic priorities set out in the recently revised Corporate Plan. The preparation of the budget therefore underpins all of the strategic priorities.

## **3. Background**

- 3.1 In January 2014, the former Corporate Improvement Scrutiny Committee considered a report on the review of councillor involvement in budget setting and monitoring processes in response to councillor requests for greater involvement in these processes and to implement a recommendation from the Council's external auditor at that time.
- 3.2 The Committee agreed to establish the Finance Scrutiny Group (FSG), comprising six non-Executive councillors, plus the Lead Councillor with responsibility for finance in an ex officio capacity, with the following terms of reference:
- (1) To receive and scrutinise full budget monitoring reports
  - (2) To review general fund and capital programme draft budgets and inform the evaluation of growth bids
  - (3) To review provision of financial information to the Scrutiny Committee, Executive and Council to ensure that it is relevant, user friendly and at the appropriate level of detail.
- 3.3 The group met on five occasions in 2014-15 and scrutinised and made recommendations on the following reports:
- Business Planning and Budget Assumptions for 2015-16 to 2018-19
  - Budget Monitoring reports
  - Capital monitoring reports
  - Outline Budget and detailed growth and capital budget bids prior to consideration by the former Joint Scrutiny Committee;
  - Revisions to Financial Procedure Rules prior to consideration by Council;
  - HRA Business Plan
  - North Street capital bid and general project update
- 3.4 Following the review of governance arrangements in 2015, the Council established the two EABs and the Overview and Scrutiny Committee, and also amended the terms of reference of the Corporate Governance and Standards Committee to include the consideration of quarterly budget monitoring reports. Since that time, the FSG has not met, and the need to establish a successor group to focus on budget preparation was identified at the recent EAB/Overview and Scrutiny Work Programme meeting on 10 August 2016.

- 3.5 The governance review findings specifically envisaged the EABs playing a vital role in budget preparation, with budget monitoring being performed by Corporate Governance and Standards Committee, as stated above.

#### **4. Proposed Joint EAB Budget Working Group**

- 4.1 It is proposed to establish a Joint EAB Budget Working Group, comprising of councillors of both EABs, whose terms of reference would be:

To consider and review for submission to the EABs, Executive and Council:

- (1) the draft General Fund and Housing Revenue Account revenue budgets, and
- (2) the draft General Fund and Housing Revenue Account capital programmes, including growth bids to inform the evaluation process.

- 4.2 As it is a joint EAB working group, it is suggested that each EAB appoints three councillors to serve on the working group for the 2016-17 municipal year. The chairman of the working group will be elected from the six working group members, and the Lead Councillor for Finance would attend meetings of the working group in an ex officio capacity, in exactly the same way the lead councillor with responsibility for finance previously attended meetings of the FSG.

- 4.3 The Head of Financial Services, in conjunction with the Lead Councillor for Finance, will set the agenda for each meeting of the new working group. Other officers from Financial Services and other services will attend as required.

#### **5. Consultations**

- 5.1 This matter was discussed by the respective chairmen and vice-chairmen of the EABs and Overview and Scrutiny Committee at the Work Programme meeting held on 10 August 2016, who suggested the action proposed in this report.

#### **6. Financial Implications**

- 6.1 There are no financial implications associated with the proposals in this report.

#### **7. Legal Implications**

- 7.1 There are no legal implications associated with the proposals in this report.

#### **8. Human Resource Implications**

- 8.1 There are no HR implications associated with the proposals in this report.

#### **9. Summary of Options**

- 9.1 In summary, the options are as follows:

- (1) To establish a Joint EAB Budget Working Group as recommended, which will provide backbench councillor involvement in the preparation of the budget. This would replace the role previously carried out by the FSG following a recommendation from the Council's external auditor.
- (2) If the proposed working group is not established, there will be no formal means by which backbench councillors can get involved in detail in budget preparation.

**10. Conclusion**

- 10.1 Both EABs are asked to confirm their agreement to the proposals outlined in this report so that backbench councillors can assist the Lead Councillor for Finance and officers in their work on the preparation of the draft budget each year.

**11. Background Papers**

None

**12. Appendices**

None