

Budget Scrutiny: Task Group Scoping Paper

Introduction

1. Nationally, local government budgets are under severe pressure from ongoing reductions in the Revenue Support Grant, demographic change and rising demand for services, for, children's services, housing and adult social care in particular. In the most extreme case, Northamptonshire County Council has twice issued a section 114 notice, which means it has had to freeze all non-essential spending on local authority services.¹

2. Brent Council has also experienced these pressures. The setting of the annual Budget, which is formally agreed by Council and in law must be balanced between income and expenditure, is one of the most important tasks for the Cabinet and full Council. The Budget also sets the ring-fenced Housing Revenue Account, the Capital Budget and level of general reserves. In February 2019 Council agreed a Budget which set out a two-year cycle of savings from the General Fund, or spending by local authority departments, of £9.5m in 2019/20 and £11.4m in 2020/21 to achieve a balanced Budget. In February 2020 Council must decide on the Cabinet's proposed 2020/21 Budget. It would be open to Council to re-confirm the proposals set out a year earlier. However, there will also be a consideration of the approach to budgeting for the 2021/22 and 2022/23 financial years which are expected to require further savings. over the two-year cycle of financial years. In February 2019 officers' best estimate of the budget gap was £20m. This was an estimate based on the limited information available at the time as the exact gap is inherently uncertain simply because of the number of variables to be estimated and the difficulty of doing so over longer periods of time. This is further compounded by the significant reforms to local government funding proposed from April 2020.

3. The Budget sets out the resources which will be spent on services which will meet the strategic priorities set out in the 2019-2023 Brent Borough Plan. It will therefore be important to consider how the budget priorities reflect the Borough Plan priorities agreed by Council. The local authority's Budget-setting process must also deal with national strategic developments. In particular, there are major changes expected to local government finance by 2020 as a result of changes to local government finance nationally from the Spending Review, Business Rates and Fair Funding Review. The council's Budget must also be set in the context of Brexit, affecting economic growth nationally and locally, and increasing demand for services based on the borough's changing demographic structure and the long-term growth of the area's population.

Scrutiny's Role

4. The key role of overview and scrutiny in the Budget setting process should be to provide demonstrable constructive challenge to the budget proposals, identifying the main budget pressures and risks and ensuring due diligence. The Centre for Public Scrutiny argues above all it should be to test and challenge the Cabinet's setting of the Budget, particularly around sound financial management and budgetary controls,

¹ Best Value Inspection of Northamptonshire County Council, January – March 2018

and the executive's effectiveness in managing the Budget process. Scrutiny also has a role to play in testing assumptions, modelling and forecasting on which the Budget has been built; analyse the key risks and challenge how resources are prioritised. The role of scrutiny should be to review the strategic 'big picture' as well as the detail of a Budget and take an 'overview' across a council rather than just by department. ²

5. Scrutiny's role is also to seek assurance that the key financial challenges facing a local authority are being met. A review into Northamptonshire County Council found there was a failure to act on warning signs of overspending in key departments, and scrutiny was criticised because 'there had been no attempt to review either successful or unsuccessful budget inclusions in past years to learn lessons as to why things went well or failed to be delivered.' ³ Scrutiny should seek assurance that under or overspending on certain budgets is being managed promptly, understand what the key risks to the council are and review the success of proposals in delivering savings.

Scope

6. The scale and complexity of local authority Budget setting means that a focused scope for a scrutiny task group is very important, with clear priorities in what it wants to achieve through budget scrutiny process, what it needs to consider in each evidence session, the data and information it needs to understand and who should attend. It is proposed that this task group will have four evidence sessions, broadly shadowing the Cabinet's own Budget setting process, and produce a report with a number of recommendations which will be presented to the Cabinet at the meeting to discuss the Budget on 10 February 2020; and Council when it adopts the Budget on 19 February 2020.

7. Evidence session 1 will review financial planning theme and how the Budget will be constructed based on expected income and expenditure. This will include 'stress testing' key assumptions about risks and cost-pressures and increases in spending as a result of demographic changes which services spending is concentrated on. It will also start with the outturn from 2018/19, review the Medium Term Financial Plan, the level of reserves and Capital Budget for the council.

8. Session 2 will focus on financial management and in year Budget monitoring. It will check progress with savings targets by departments and how they will be achieved as well as reviewing that investments are sound and the returns on them are secure. It will also review the ring-fenced Housing Revenue Account and Dedicated Schools Grant.

9. Session 3 will focus on strategic priorities from the Fair Funding Review. The Government has recently announced that there will be a one-year Spending Round completed in September, and the next multi-year Spending Review will be carried out in 2020. ⁴ The Government intends to implement the Fair Funding Review as of 1 April 2020 for the 2020-21 financial year, which will be implemented alongside the

² Janet Sillett, *On The Money: The Scrutiny of Local Government Finance*, (CfPS, 2007), p17

³ Best Value Inspection of Northamptonshire County Council, January – March 2018, p

⁴ www.gov.uk/government/news/chancellor-fast-tracks-spending-round-to-free-up-departments-to-prepare-for-brexit

introduction of 75% business rate retention, which will have important implications about the level of funding in the future keeping up with the demand for services. The final session, in early 2020, will look at the Cabinet's Budget proposals to be presented to Council for adoption in February 2020, including the level of Council Tax for 2020/2021 and other key Budget proposals.

Budget Scrutiny Timeline

Date	Themes/Key Questions	Attendees/ Cabinet members	Background Reports
<p>Evidence Session 1</p> <p>October 2019</p>	<p>Presentation Q&A Outturn 2018/19</p> <p>Expenditure: demographic pressures, financial controls, high-risk expenditure areas; discretionary and statutory spending</p> <p>Income: Revenue Support Grant, Council tax collection performance, business rates; fees and charges; income generation</p> <p>Budget and the Borough Plan and Policy Framework</p> <p>Strategic finance: Medium Term Financial Plan;</p> <p>Performance Reserves, Capital Budget</p>	<p>Deputy Leader and Lead Member for Finance.</p> <p>Director of Finance</p> <p>Head of Finance</p>	<p>Cabinet 15 July 2019 Financial Outturn Report 2018/19;</p> <p>Quarter 1 Financial Report 2019/20;</p> <p>July Finance Review</p> <p>Audit and Standards Committee, 10 July 2019</p> <p>Treasury Management Outturn Report 2018/19</p> <p>Statement of Accounts 2018/19</p> <p>Quarter 1 Performance Report</p>
<p>Evidence Session 2:</p> <p>November 2019</p>	<p>Presentation Q&A</p> <p>Main theme: Budget Monitoring. Over and underspending expenditure areas, RAG</p> <p>Draft budget proposals Budget and Council Tax 2020/21</p> <p>Budget monitoring</p>	<p>Deputy Leader</p> <p>All Cabinet Members</p> <p>Director of Finance</p> <p>Head of Finance</p>	<p>Cabinet November 2019 Cabinet Draft Budget and Council Tax 2020/2021</p> <p>Quarter 2 Financial Report 2019/20</p> <p>Quarter 2 Performance report</p>
<p>Evidence Session 3</p> <p>December 2019</p>	<p>2021 Provisional Financial Settlement, Cabinet response and revised proposals to Brent's Budget Government's Spending Review Fair Finance Review.</p>	<p>Deputy Leader</p> <p>Director of Finance</p> <p>Head of Finance</p>	<p>Cabinet October 2019 Quarter 2 Financial Report 2019/20</p>
<p>Evidence Session 4</p> <p>January 2019</p>	<p>Final Budget Proposals: Budget and Council Tax for 2020/21 and business plans for 2021/22 and 2022/23</p> <p>Budget monitoring</p>	<p>Leader</p> <p>Deputy Leader</p> <p>Director of Finance</p> <p>Head of Finance</p>	<p>Cabinet January 2019 2019/2020 Mid-Year Treasury Report</p> <p>Cabinet Final Budget and Council Tax 2020/21</p> <p>Quarter 3 Financial Report 2019/20</p>

Terms of Reference:

1. To consider the Council's in year budget performance against outturn expenditure for 2019-2020
2. To identify and consider the key budget pressures and strategic financial issues for the Council and how these are being managed.
3. To consider the draft budget proposals for 2020-21, including the main areas of proposed growth and savings, key budgetary risks and the extent to which the budget proposals reflect the Council's priorities outlines in the Borough Plan.

Proposed Key Lines of Enquiry:

- A. To review the local authority's out-turn for 2018-2019 including key departmental overspends and underspends.
- B. Understand how the council's Medium Term Financial Plan relates to the Budget setting process and Budget targets.
- C. Review the achievement of proposals for expenditure savings agreed in the two-year Budget for 2019/20 and 2020/21.
- D. Scrutinise key sources of expenditure pressure by department and spending assumptions in the Budget.
- E. Review the council's income for 2019/20; income generation strategy and targets and performance.
- F. Monitor the Capital Budget and understand how it relates to the General Fund.
- G. Monitor the Housing Revenue Account.
- H. Scrutinise the profile of Budget risks for 2019/20 and 2020/21.
- I. Monitor the level of reserves., including a comprehensive list of all the allocated and unallocated reserves.
- J. Evaluate the council's overall spending controls and finance management planning.

Membership

The task group will be made up of the following members:

Cllr Matt Kelcher, Chair
Cllr Ketan Sheth
Cllr Neil Nerva
Cllr Anita Thakkar
Cllr Reg Colwill

(4-5 members from the Community and Wellbeing Scrutiny Committee and the Resources and Public Realm Scrutiny Committee).