

# Norwich City Council

## SCRUTINY COMMITTEE

### REPORT for meeting to be held on 8 January 2009

### SCRUTINISING THE BUDGET SETTING PROCESS

- Summary:** The Council will be meeting to set the Budget for the financial year 2009 to 2010 at its meeting of 24 February 2009. The Scrutiny Committee is asked to take a pre – scrutiny look at the Budget at its 12 February meeting, prior to it being agreed by the 18 February Executive and before final submission for the Council's agreement.
- Conclusions:** In assisting the members of the Scrutiny Committee to carry out their role in the Budget process this report offers suggestions towards effective scrutiny of the Budget based upon best practice principles and draws a distinction between the role of scrutiny and that of the Council.
- Recommendation:**
- a) Members familiarise themselves with service plans which will be published on E-councillor in mid January
  - b) In scrutinising the Draft Budget to check that it is consistent with the Council's strategies, priorities and service plans
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#### 1. The Legal Framework for Financial Scrutiny

- 1.1 Local Government Act 2000 – “it is the responsibility of the Full Council, on the recommendations of the Executive, to approve the budget and council tax demand. The role of Scrutiny in the financial process is to hold the Executive to account and to ensure that decisions are in the best interests of the community. Some scrutiny of budget setting and other financial planning processes is therefore essential”.

- 1.2 Local Government Act 2003 – “the central legislation surrounding financial planning and budgeting – sections 28 and 29 require members to be involved in budget monitoring throughout the year, although it is not specified whether this is primarily an Executive or Scrutiny Function”.
- 1.3 IDeA Councillors Guide – “Members need to get an understanding of how the spending matches against policies, and so must get to grips with the numbers. Don’t be mesmerised by the big numbers because as elected members you are here to deliver on programme. You don’t need to be a financial expert”.

## **2. The Role of Financial Scrutiny**

- 2.1 The role of the Scrutiny Committee is not that of opposition to the Executive. The Scrutiny Committee should be where members test, check, evaluate, refine and strengthen financial management through a process of challenge and investigation which leads to advice and recommendations to the Executive.

## **3. A Key Question**

- 3.1 Will the Budget as presented meet the Council’s aims, priorities and objectives? Scrutiny Committees need to check that budgets and spending plans are integrated.
- 3.2 Over the course of the year Scrutiny members need to monitor certain aspects of service delivery and performance against funding and at times review certain specific services, policies and investment plans.
- 3.3 Another key role is that of oversight regarding the use of joint resources with partners such as in the case of Norfolk County Joint Scrutiny of the Local Area Agreement.

## **4. Effective Financial Scrutiny**

- 4.1 Effective Financial Scrutiny involves:
  - a) ensuring that the Council has a clear corporate and strategic direction
  - b) checking that financial plans underpin and are consistent with the Council’s strategic direction
  - c) reviewing the Draft Budget to ensure that it is consistent with the Council’s strategies, priorities, commitments and spending plans
  - d) reviewing service plans to see if they are consistent with the Council’s strategies, priorities, commitments and spending plans
  - e) monitoring performance against financial plans and budgets
  - f) challenging decisions relating to new service commitments, investments and previously unbudgeted demands

- g) reviewing the Council's performance against efficiency targets.

## **5. Scrutinising the Budget Setting Process**

- 5.1 The Scrutiny Committee needs to be mindful of the legal requirement of setting a budget and in particular that the budget has to be balanced for the financial year for which it applies, that the Council cannot budget for an overall deficit and that the budget sets the level of council tax.
- 5.2 It is also suggested that good practice for setting a budget involves budgeting for reserves at an acceptable level, ensuring **service plans\*\*** are achievable/achieved and that corporate priorities are balanced against departmental requirements.
- 5.3 With the above points in mind and to get the best out of scrutiny of the process there needs to be as early as possible involvement of members so that they can have influence. The Members need to have the training required to enable them to identify how budget setting is linked to corporate and service planning and also ask the Officers for explanations on any information that is not clear.

**Service plans\*\*** See Recommendation a)