

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 12 March 2009
AUTHORS: Chairman of the Finance Task & Finish Group / Scrutiny Development Officer

REPORT OF THE FINANCE TASK AND FINISH GROUP

1 Purpose

To report on the work of the Finance Task and Finish Group and seek a response to its recommendations.

Background

2. By the end of the 2007/08 financial year the Cabinet had expressed some concerns about the level of underspends within the Council. Separately, following a financial training session the Scrutiny and Overview Committee had some questions about budget scrutiny and consultation.
3. The Scrutiny and Overview Committee agreed on 19 June 2008 to set up a cross-party task and finish group with the following terms of reference:
To investigate and make recommendations for improving the Council's financial management, and budget setting processes, and to recommend improvements to future scrutiny of the budget and integrated business reports.
4. A scoping document as at **Appendix A** was agreed at the outset.
5. The Task and Finish Group comprised the following Members:
Cllr Richard Barrett
Cllr Nigel Cathcart
Cllr James Hockney (chair)
Cllr Cicely Murfitt
Cllr Hazel Smith
Cllr Richard Summerfield

Cllr Bolitho was nominated to the Group but did not take up his place due to clashes with work commitments.
6. The Group met five times and the Finance Portfolio Holder, Cllr Tony Orgee, was invited to all meetings.
7. During the time covered by the Task and Finish Group, the Council received an improved 'Use of Resources' overall score of 3 (performing well) out of a possible 4. The score had been an overall 2 (adequate performance). The Group's findings would support this as no major weaknesses were identified.

8. It is expected that the recommendations in this report will add to the good work and practices already in place and contribute to the Council maintaining an overall score of 3 under the new, harder assessment criteria.

Improving the Council's financial management and budget setting processes

9. The Group asked for a **clear timetable of the financial and service planning process**, showing the points at which scrutiny could add value. A diagram was agreed as at **Appendix B**. This was later updated to include the opportunities for public consultation; see Recommendation 10.
10. The financial planning process appears to be working adequately for the Council's purposes but may be examined by the Task and Finish Group at a further stage. We could look at how well it serves other stakeholders (residents, partners, organisations funded by the Council) and how well it supports other budget-related activities (service-planning, prioritisation, managing value for money). We could also identify potential pinch-points in the current process and the associated risks.

Recommendation 1: That the corporate cycle illustrated at Appendix B of this report be endorsed by the Cabinet and used to inform future budget-, consultation-, service- and scrutiny-planning.

11. This recommendation carries no budget implications.
12. Whilst looking at the process, the Task and Finish Group also examined the current practice of **presenting the budget in two parts**; the staffing and overheads element before Christmas and the whole budget after Christmas.
13. They found that few other councils do this, but in many cases this meant that no financial plans were put to Members until January. At South Cambridgeshire District Council (SCDC) Members first look at the medium term financial strategy in October/November and then the first part of the budget in December.
14. The Task and Finish Group welcomed the number of opportunities that SCDC Members had to influence the budget; but they did not want to make a recommendation on this issue yet. They would prefer to wait until the new Executive Director is in post, and until the outcome of the Housing Futures ballot is known.
15. The Group interviewed the Corporate Manager for Finance and Support Services regarding the question of **under- and over-spending** of budgets. The Group was reassured to hear that financial control had been strengthened over recent months with a tightening of accountancy processes and in-house training. However, some 2008/09 underspends were subsequently found to be greater than officers had projected. The committee would therefore like to investigate this further. Either they, or an officer group, should analyse patterns of under-spending so that future training can be appropriately targeted.
16. In the meantime, there is a need for the accountancy team and budget-holders to work more closely. There is also a need for budget-holders to understand the consequences of under-spending a budget and for a more robust procedure for permitting roll-overs.

Recommendation 2. That a closer working relationship is established between the accountancy team and budget-holding officers to improve ongoing financial control.

Recommendation 3: That a budget-holder who unexpectedly under-spends a budget is required to justify it to the satisfaction of the Chief Finance Officer and/or Portfolio Holder.

Recommendation 4: That a budget roll-over from the previous year may only be permitted where the budget-holder can show that the current year's budget is fully committed and that there is no other source of funding.

17. These recommendations carry no budget implications.
18. The Group heard that the Corporate Manager was currently delivering **training for budget holding officers**. This aimed to help managers to understand their cost/budget drivers so that under/over-spends could be presented in a way that showed proper management of finances. However, the subsequent unexpected under-spends showed that this training had had little effect.
19. The Head of Accountancy suggested that future training delivered by him or his team should be co-presented with budget-holders who are performing well so that good practice can be shared.

Recommendation 5: That the Council ensures that all budget-holding officers receive at least one core skills training session to understand the procedures and processes relevant to their financial management role. This should be a feature of performance appraisals.

20. It is intended that this training would be provided in-house and therefore within existing budgets.
21. The Group endorsed the Council's move towards **presenting financial and performance information together**, through quarterly reports to portfolio holders' meetings and during the service planning process. They would like to examine whether this practice could be extended to the budget report. The Corporate Manager for Finance and Support Services voiced some concerns about the feasibility of this suggestion. However this year some benchmarking data was included to enable comparisons and measure cost effectiveness.
22. The committee felt that this would be a key step forward.

Recommendation 6: That officers examine whether budget proposals could be accompanied by more performance information showing comparative data and the potential impact that budget proposals could have on performance. This would ensure a more accurate way of analysing spending and outcomes.

23. This recommendation carries no budget implications.

Informing and involving residents and businesses

24. **The presentation of financial information** was examined. The Group agreed that SCDC's 2008/09 Budget Book Summary, Summary of Accounts and Annual Report had been well presented. However, clear, timely presentation of financial information remains a challenge and most respondents to the Members' survey agreed that the Council needed to present financial information in ways that were easier for residents to understand.

25. The Group felt that a publication similar to the Council's Budget Book as at www.scams.gov.uk/admin/documents/retrieve.asp?pk_document=907207 could be published to support budget consultation. See paragraph 18.
26. It was recognised that SCDC's current financial publications do provide top level summaries; better use of web technology is what needs to be developed, to explain the services more clearly. The Group examined several examples of clear presentation by other councils. Of special interest was the online information presented by Manchester City Council, which gave top-line financial information, linked to a few descriptive paragraphs about the relevant service(s), as below:

Manchester City Council - The Council's Revenue Budget - Departmental Budgets for 2008/09 - Microsoft Intern...

File Edit View Favorites Tools Help

Back Forward Stop Refresh Home Search Favorites

Address http://www.manchester.gov.uk/site/scripts/documents_info.php?categoryID=200028&documentID=880&pageNumber=2 Go Links

Find a Service

Begin to type and select from the appearing choices.

Information on...

- Advice and benefits
- Business
- Community and living
- Your Council
- Education and learning
- Environment and planning
- Health and social care
- Housing
- Jobs and careers
- Leisure, libraries and culture
- Travel and roads

As outlined on the previous page the [Medium Term Financial Plan](#) demonstrates how the Council wants to structure and manage its finances over a three-year period. However departmental budgets i.e. spend on the direct services provided by the Council for 2008/09 are provided below. Please click on the links for further details.

- [Chief Executive's: £33,023,000](#)
- [Children's Services: £162,452,000*](#)
- [Adult Care Services: £132,049,000](#)
- [Corporate Services: £4,023,000](#)
- [Environmental Services: £47,990,000**](#)
- [Hospitality and Trading Services: \(£557,000\) ***](#)
- Housing: £11,992,000****
- [Leisure Services: £18,570,000](#)
- [Libraries and Theatres: £14,030,000](#)
- [Manchester City Galleries: £5,335,000](#)

* The figure for Children's Services does not include the cost of providing schools and other pupil based education services, which are now funded directly through the Dedicated Schools Grant (DSG). The DSG for 2008/9 is £281,132,000.

** The detailed budget print for Environmental Services also includes the levy to the Greater Manchester Waste Disposal Authority of £17,859,000

*** Hospitality and Trading Services makes a net contribution to the General Fund.

**** Consists of - [Housing General Fund: £8,512,000](#), [Supporting People: £460,000](#) and [Housing Revenue Account: £3,020,000](#).

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Recommendation 7: That the Council presents financial information more clearly and concisely electronically, so that it can be more easily understood by residents.

27. This recommendation would require an investment of officer time but the intention is that it would be accommodated within existing budgets.
28. The Group also felt that information presented in the same way as Manchester City Council would also provide a concise and yet informative basis for Members' input.

SCDC Members currently receive top level financial information as well as the fuller supporting details. Discussion at Cabinet is focused on top level information only and it is open to all Members to take this approach.

Recommendation 8: That only top line financial information is presented at Council meetings, accompanied by a short description of the potential effect on services. This would enable Members' discussions to focus on strategic considerations linked to the Council's priorities.

29. This recommendation carries no budget implications.
30. The Task and Finish Group received details of the nationally coordinated 2008 Place Survey. This showed that a low percentage of South Cambridgeshire respondents were satisfied with the **value for money** that they received from their District Council. The exact percentage figure will be published on 9 March 2009.
31. In fact SCDC's council tax is the eighth lowest amongst UK district councils and over one quarter of our services are in the top quartile of performance nationally. This indicates a possible perception gap, which needs to be addressed when presenting financial information to residents.

Recommendation 9: That the Council presents financial and performance information for residents in such a way that value for money can be more readily understood.

32. This recommendation would require an investment of officer time but the intention is that it would be accommodated within existing budgets.
33. The Group examined the Council's current **public consultation methods** and agreed that there is scope for improvement. The Government's intention to introduce participatory budgeting by 2012 will place an increased responsibility on the Council to involve local residents in the budget setting process.
34. SCDC had experience of running roadshows but these had proved to be resource hungry and not well attended. Invitations for feedback via the South Cambs magazine had not worked well. One of the Task and Finish Group members sits on the magazine's editorial board and may therefore be able to suggest improvements for communicating financial information in future issues.
35. Letters to parish councils had also not worked and the Group suggested that the quarterly parish meetings might provide a better consultation forum in future.
36. Successful examples from other councils included focus groups, public meetings, online surveys, interactive scrutiny meetings, citizen panels and visits to 'hard to reach' groups such as elderly or teenage residents.
37. Another interesting tool used by several councils is an internet-based Budget Simulator. This allows people to 'play' at setting the budget; they learn about council spending requirements, allocate budget resources and see the potential outcomes. The cost for the licence, set up and hosting begins at around £3,500 but there are ongoing staffing requirements. And this requires a whole-council commitment to inputting the descriptive data accurately and on time. The Group did not wish to recommend investing in this product in the present economic climate.

38. The Group recognised that consultation is a complex area and there is a balance to be struck between gaining an informed view from a smaller sample, and a more intuitive view from a wider sample. The Group favoured working with a small group of residents and businesses looking at issues in more detail.
39. The Group also felt that a publication similar to the Council's Budget Book as at www.scambs.gov.uk/admin/documents/retrieve.asp?pk_document=907207 could be published to support budget consultation.
40. SCDC fulfils its statutory obligation to consult the business community via the Chamber of Commerce. There is scope for making this more proactive and effective, especially now that the Council has an economic development officer.
41. Finally, whilst public consultation must be seen to truly have an influence, the Group recognised the need to manage residents' expectations: for example, consulting on different levels of Council Tax may raise unrealistic expectations while there is a threat of capping.

Recommendation 10: That the Council's community engagement strategy includes cross-cutting public involvement in the budget process. Involvement should aim to include all sections of the community, businesses, parish councils and voluntary sector partners, and at times when it can genuinely have an influence. This is likely to be at an early stage in the budget-setting process.

42. See the diagram at Appendix B.
43. The Council is already drafting a community engagement strategy; any financial implications of improved consultation would need to be quantified at that stage.

Scrutiny of the budget and integrated finance and performance reports

44. The Task and Finish Group looked at the award-winning finance scrutiny process at Cambridgeshire County Council to consider whether any elements could be recommended for use at SCDC.
45. At the County Council, pairs of **scrutiny members interview directors** about their budgets then debrief the whole scrutiny committee. The Task and Finish Group perceived that this had met with mixed success and the value was unclear. They also recognised that at SCDC, Members had perhaps an even better opportunity to interview key officers and portfolio holders at Portfolio Holders' meetings. They did not therefore recommend creating any further opportunities for interviewing officers or portfolio holders at SCDC.
46. The County Council has a **standing sub committee** that deals with financial scrutiny. However, research showed that few other district councils have such a sub committee. The Group felt that more Members should have the opportunity to participate in finance scrutiny, rather than fewer, and so they did not recommend establishing an ongoing finance sub committee.
47. In considering the capacity for effective scrutiny of the Council's budget and financial processes, the Task and Finish Group identified the need for **training for Members**. They commissioned a suite of sessions in October 2008 from Local Government Futures.

48. Two of the sessions were aimed at giving all Members an understanding of local government finance, the processes, jargon and key stages. The final session addressed the scrutiny of budgets and financial processes.
49. Although the sessions were well received by the Members who attended, the Task and Finish Group was disappointed by the attendance levels. They felt that there needs to be more buy-in from Members, and that the leaders of the political groups have a vital role to play in encouraging Members to attend these sessions. Responses to the Members' survey showed that there was wide support for annual refresher training.
50. The survey of SCDC Members showed that almost all respondents would welcome annual refresher sessions to help them understand and scrutinise financial issues.
51. Recognising the key role played by scrutiny monitors in scrutinising the integrated monitoring reports at portfolio holders' meetings, a short training session was arranged for scrutiny monitors in December 2008. Monitors agreed that they would like refresher sessions each year.

Recommendation 11: That the annual training programme for Members includes at least one refresher session for all Members regarding their role in understanding and influencing the Council's budget and financial processes. An annual refresher session for scrutiny monitors should also be offered.

52. This recommendation can be accommodated within existing budgets if provided by officers in-house. It may be possible to fund an external trainer with contributions from the corporate Members' training budget, the finance and support services budget and the scrutiny budget.

Future work of the Task and Finish Group

53. This report sets out the work of the Task and Finish Group in 2008/09, up to the departure of the review's lead officer, the Corporate Manager for Finance and Support Services.
54. The role of lead officer will fall to the new Executive Director who is expected to arrive in the summer of 2009. The Task and Finish Group would like to wait until then before continuing its work. This will allow the new Executive Director to assume responsibility for recommendations accepted by the Cabinet, and to help with scoping the rest of the review.
55. Future areas of investigation would include:
 - Improved communication and consultation with residents and partners; supported by the Communications Manager and Partnerships Manager
 - More effective engagement with the business community; supported by the Economic Development Officer
 - Patterns of under-spending to inform future training
 - How well the financial planning process serves stakeholders and supports other budget-related activities

Implications

Financial	As detailed in the report
Legal	None
Staffing/ capacity	None
Risk Management	None
Equal Opportunities	None

Consultation

56. A paper survey of Members was circulated in December 2008 in order to test some of the early findings. The results are at **Appendix C**.
57. The Chief Finance Officer has been kept informed during the formulation of the recommendations and other senior officers have commented on financial implications.

Effect on Annual Priorities and Corporate Objectives

58. Improvements to the Council's financial planning, scrutiny and consultation will help to "deliver high quality services that represent best value and are accessible to all our community".

Recommendations

59. It is recommended that Cabinet:
- (a) notes the recommendations set out in this report, and
 - (b) agrees to provide a response to the Scrutiny and Overview Committee at its meeting on 30 April 2009.

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