

**Report To:** OVERVIEW PANEL

**Date:** 21 November 2023

**Scrutiny Chair / Reporting Officer:** Councillor Claire Reid – Chair of Place and External Relations Scrutiny Panel

Councillor Naila Sharif – Chair of Health and Adult Social Care Scrutiny Panel

Councillor Hugh Roderick – Chair of Children’s Services Scrutiny Panel

Sandra Stewart – Chief Executive

**Subject:** SCRUTINY MID-YEAR BUDGET UPDATE

**Report Summary:** To receive a summary and feedback based on recent scrutiny engagement on the mid-year budget position for 2023/24 and future planning.

**Recommendations:** That Overview Panel is asked to note the content of the report and appendices.

**Links to Corporate Plan:** Scrutiny work programmes are linked to the Council’s corporate priorities. Scrutiny activity seeks to support effective decision-making and priorities across Tameside.

**Policy Implications:** The work programmes comprise activity that seeks to check the effective implementation of council policies and if appropriate make recommendations to the Executive with regards to development, performance monitoring, outcomes and value for money.

**Financial Implications:** There are no direct financial implications arising from the report.  
**(Authorised by the Section 151 Officer)** **Appendix 1** provides the formal response from the Overview Panel Chair and Scrutiny Chairs to the First Deputy (Finance, Resources and Transformation) and Director of Resources to recent engagement on the Council budget.

The response includes a number of further questions that require consideration, the details of which will be reported to Members within subsequent Council budget updates.

**Legal Implications:** Legislation is clear that every councillor is responsible for the financial control and decision making at their council. The Local Government Act 1972 (Sec 151) states that “*every local authority shall make arrangements for the proper administration of their financial affairs...*” and the Local Government Act 2000 requires Full Council to approve the council’s budget and council tax demand.

**(Authorised by the Borough Solicitor)**

Every council requires money to finance the resources it needs to provide local public services. Therefore, every councillor is required to take an interest in the way their council is funded and the financial decisions that the council takes.

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council. The central financial issue at most councils is that there are limits and constraints on most of the sources of funding open to local councils. This makes finance the key constraint on the council’s ability to provide more and better services.

Every council must have a balanced and robust budget for the forthcoming financial year and also a 'medium term financial strategy (MTFS)' which is also known as a Medium Term Financial Plan (MTFP). This projects forward likely income and expenditure over at least three years. The MTFS ought to be consistent with the council's work plans and strategies, particularly the corporate plan. Due to income constraints and the pressure on service expenditure through increased demand and inflation, many councils find that their MTFS estimates that projected expenditure will be higher than projected income. This is known as a budget gap.

Whilst such budget gaps are common in years two-three of the MTFS, the requirement to approve a balanced and robust budget for the immediate forthcoming year means that efforts need to be made to ensure that any such budget gap is closed. This is achieved by making attempts to reduce expenditure and/or increase income. Clearly councillors will be concerned with any potential effect that these financial decisions have on service delivery.

Since 2010 – Government has sought to make the local government funding system more locally based, phasing out general government grant altogether. Therefore, the policy objectives and decision making of the local council plays a far more significant role in the council's ability to raise income than before.


The councillor's role put simply, it is to consider the council's finance and funding as a central part of all decision making and to ensure that the council provides value for money, or best value, in all of its services and make difficult decisions when there is insufficient.

There is unlikely to be sufficient money to do everything the council would wish to provide due to its budget gap. Therefore, councillors need to consider their priorities and objectives and ensure that these drive the budget process. In addition, it is essential that councils consider how efficient it is in providing services and obtaining the appropriate service outcome for all its services.

A budget is a financial plan and like all plans it can go wrong. Councils therefore need to consider the financial impact of risk and they also need to think about their future needs. This was the purpose of the mid year review. Accounting rules and regulations require all organisations to act prudently in setting aside funding where there is an expectation of the need to spend in the future. However, every council will also wish to ensure that it has a 'working balance' to act as a final contingency for unanticipated fluctuations in their spending and income. In times of austerity, it is tempting for a council to run down its reserves to maintain day-to-day spending. However, this is, at best, short sighted and, at worst, disastrous! Reserves can only be spent once and so can never be the answer to long-term funding problems. However, reserves can be used to buy the council time to consider how best to make efficiency savings and can also be used to 'smooth' any uneven pattern in the need to make savings.

**Risk Management:** Regular updates to Overview Panel provide assurance that scrutiny is progressing with an effective work programme, supporting good decision-making and service improvement.

**Access to Information:** The background papers relating to this report can be inspected by contacting Paul Radcliffe, Policy and Strategy Lead by:

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## **1. BACKGROUND**

- 1.1 The Council is required by law to set a balanced budget for the upcoming financial year. It is important to base proposals on a range of sound and sustainable assumptions about income and expenditure. There is an additional need to assess, project and monitor a range of known and unknown external pressures.
- 1.2 The authority also has a statutory duty to consult with businesses and other representatives of non-domestic ratepayers on its annual spending proposals. The Council instructs and delivers a timetable of engagement activity in order to seek and understand the priorities of individual services, residents, patients, service users and businesses alike.

## **2. SUMMARY**

- 2.1 It is a requirement that Scrutiny Panels be consulted as part of planned budget conversations and engagement. Such arrangements have been in place in Tameside since Scrutiny Panels were established in 2000. The independence of scrutiny enables members to seek assurances on budget planning, process and priorities.
- 2.2 All scrutiny members are cordially invited to attend an annual budget consultation session in January each year, at which final budget proposals are presented in detail. The session provides a suitable opportunity for scrutiny members to provide feedback, raise questions and concerns. Scrutiny Chairs provide timely feedback to the Executive Member with responsibility for Finance. Discussion points and findings are summarised in a formal letter, in support of the final budget report.
- 2.3 More recently, 2019 onwards, Scrutiny Panels have received a mid-year budget update. This provides a further level of engagement to inform proposals and can be used to support the development of future work priorities for each panel.
- 2.4 All Scrutiny Panel members were provided with an opportunity to attend one of two mid-year budget update sessions delivered on 6 November 2023. The meeting invitation included all non-executive members of Overview Panel. The sessions enable members to seek assurance on the Council's approach to managing and mitigating budget pressures, known risks and future uncertainty. A response letter of the Overview Panel Chair and Scrutiny Chairs to the First Deputy (Finance, Resources and Transformation) and Director of Resources, can be viewed in **Appendix 1**.

## **3. RECOMMENDATIONS**

- 3.1 As set out on the front of the report.