



ENGAGING MEMBERS IN FINANCE SCRUTINY

A working group scrutiny review

July 2006

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FOREWORD

This Working Group was set up by the Resources DSP to explore how all members can become more involved in the financial scrutiny not only of those DSPs of which they are members but also of the Resources DSP ,other DSPs generally, the council as a whole and the service plan gateway reviews.

The Resources DSP had a concern that some members can find the whole issue of council finance very offputting and the Working Group was also asked to address this issue.

All these matters are fundamental in trying to maximise the highest possible level of members' scrutiny and participation in the council's finances. By doing so, members should be confident that the council is making the best possible use of all its available resources so as to give the council the best chance of delivering its agreed spending priorities on time and within the financial constraints that it faces.

The Resources DSP also wanted guidance on how Local Forums (or Assemblies as they were previously called) could become involved in budget consultation. Time constraints however meant that the working group was unable to fully address this particular issue before finalising this report. However, the working group felt that involving Local Forums is more of a question about the processes used in setting the main spending priorities themselves rather than more detailed decisions about allocating resources to achieve those priorities. Of course this could well be a matter that the Resources DSP will want to return to.

May I thank my fellow members of the working group and all the officers who contributed so heartily and openly to the consideration of the tasks put by the Resources DSP. I trust consideration of this report will lead to a greater and more effective participation by all members in the financial affairs of the council.

Councillor Moore
Chairman, Finance Scrutiny Working Group

EXECUTIVE SUMMARY

This report details the findings of the Finance Scrutiny Working Group, which investigated how to engage members in the scrutiny of council finance, during May to July 2006. The group's recommendations focus on the role of members in the service plan gateway reviews, information provided to members and training for members in council finance.

Members should be informed in advance of the proposed timings for the service plan and budget process and their role at each stage defined. This will help communication and therefore engagement. Financial information should be jargon-free but the working group acknowledges that some financial technical terms are necessary and that some members, who are more familiar with accountancy language, may prefer more detailed and technical documents. The working group also identified a demand from members for training in council finance. This should be provided as a compulsory module after the 2007 elections and supported within a continuous programme. This should increase members' confidence, helping them to engage in debate on financial matters.

INTRODUCTION

At the close of the budget setting process for 2006/07, the Resources DSP identified a disappointing attendance by non-executive members in the service plan gateway review meetings. These meetings had been part of a new approach to setting the council's budget, which had provided a greater role for all members in stages throughout the budget preparation.

The budget working group, which met between August 2005 and February 2006 and comprised all members of the Resources DSP and one member from each of the other DSPs, had also been poorly attended on some occasions.

The Resources DSP therefore established this working group to investigate ways to engage non-executive members in finance scrutiny in their different roles. Its key objectives were:

- (1) To explore how members can become more involved in the financial scrutiny of:
 - DSPs of which they are members
 - DSPs as a whole
 - The Resources DSP
 - Council as a whole
 - Service plan gateway reviews
- (2) How Local Area Assemblies can get involved in budget consultation.
- (3) What is it about council finance that is so off-putting to members?

Given that use of resources has recently been made a category A priority for the council, it is fitting that members be encouraged to play a more active role in council finance issues and that this be facilitated by appropriate structures, mechanisms and information.

Throughout the report, the term 'non-executive members' is used because *any* member who is not on the cabinet has a role in scrutiny, even if they do not sit on a development and scrutiny panel.

EVIDENCE

Given the slim time frame within which to carry out its investigations, the working group decided to obtain primary evidence internally only and carry out desktop research from external sources, rather than interviewing external witnesses.

The working group received verbal evidence from the council's:

- Chief executive
- Strategic director
- Strategic director
- Corporate head of finance and resources
- Financial services manager
- Training manager

Written evidence was received from the portfolio holder for resources and assets.

Evidence-gathering questionnaires were returned by 30 members of the council.

Similar scrutiny reviews from the following authorities were examined:

- Cornwall county council – Review of revenue budget process 2002
 - London borough of Camden – Report of the budget scrutiny panel 2005
 - Wear Valley district council – Review of the budget process 2004
 - Wiltshire county council - Budget process scrutiny task group annual report 2003
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FINDINGS

Non-executive members' role in finance scrutiny

The working group identified the factors affecting available resources for the council:

- Spending priorities
- Service plans
- Spending charges to or released from reserves
- Central government funding and capping

Priorities

Spending priorities largely determine the way resources are allocated so this is one of the main area for influence by non-executive members. Service plans stem from the interpretation of the priorities determined by council. There is a finite limit to how service plans can be changed because they sit within the priorities. The working group considers that members should be influencing the relative weight given to each service plan in relation to the priorities that the council has set.

The role of the council's Local Forums in the budget process should be largely targeted to the setting and review of the council's priorities.

Service plans

Scrutiny of service plans allows for involvement at a more detailed level.

It is understood that a lot of members are sceptical about their ability to influence effectively the budget setting process, outside of the council's main budget meeting. This is supported by the results of the group's questionnaire to all members. The results of this survey are at appendix A and show that this issue was one of the main reasons (second to "not enough time") why some members did not attend a service plan gateway review. It is interesting to note from the survey that for those members who did attend a service plan meeting, it was the involvement and ability to influence the budget that were key 'likes' about the

Comment
"Members offer challenge, an alternative point of view, focus on priorities and a critical friend".

meetings. The issue affecting members' time is caused by a number of reasons that the group has identified. At the same time as the service plan meetings, there were a number of members involved in the stock option appraisal work and other council-related

commitments. Also, a considerable number of members have daytime employment and

Comment

"The scrutiny team should better communicate the successes of overview and scrutiny to demonstrate to members their influence."

are not regularly available to attend meetings in addition to their usual committee or panel. The organisation of the service plan meetings sometimes provided little notice for members to attend. Other 'dislikes' about the service plan meetings are recorded in the results of the survey at appendix A.

The working group, having interviewed relevant officers in financial services, is satisfied that all of the criticisms of the meetings have been recognised and that more time will be available for members to participate in the service plan meetings and to digest information.

From an officer perspective, it would have been preferable for them to have had a clean run at completing their service plans, rather than having to change the format part way through the process. Now that the format of the service plans has been finalised, the working group recognises that this problem should not reoccur. Further to this the portfolio holder commented that officers may need training on budget setting, the principles and politics behind setting them, and completing long-term projections.

During its evidence-gathering, a number of officers suggested to the group that it considered and perhaps defined the role of non-executive members in the service plan meetings. The portfolio holder commented that the non-executive member role should be developed, adding that involvement in service planning and budget preparations adds to individual member development. The working group established though that a clear role had not been defined and that this could have added to the general confusing nature of council finance. In support of this, informal feedback from a significant number of members revealed that many members did not understand what was required from them

for the service plan gateway reviews, despite explanation in the portfolio holder's invitation to attend the meetings.

The working group found that there were a number of members with serious concerns that rural issues were not taken into full account during the budget setting process. This was even a reason given in the member survey for non-attendance at service plan gateway meetings. Although the portfolio holder asserts that all comments made by members during the service plan meetings were included, there is still a perception that comments from non-executive members were not considered.

Comment

"Those members who appear to have some concerns about the lack of recognition of rural issues, should note that they can make a contribution throughout the process."

Recommendations:

- (1) A proposed timetable for the development and publication of draft service plans and desired member involvement in those plans should be put forward to all members three to four weeks before the start of the process.**
- (2) That the role of members in attending service plan gateway reviews is to make recommendations on the future of that service with a focus on the council's priorities. It is the officer's role to estimate the financial implications of those recommendations. Members should then consider these financial implications and in light of them, influence the future choices for that service.**
- (3) To structure the process better for members, and to provide efficient use of their time, members should be involved at three distinct stages in the service planning process: at the start of the preparation of service plans, at a mid-point during development of the service plan and towards finalisation of the plans.**
- (4) There should be at least ten calendar days between members receiving reports and holding a service plan gateway meeting.**

It was interesting to note that other authorities have experienced similar problems in engaging backbench members. Wiltshire county council, in its scrutiny review, concluded that a lack of engagement in their budget preparation had been caused because of uncertainty surrounding the budget settlement and a lack of role for their 'advisory panels'. In relation to members' role in budget setting, Wiltshire county council examined the role of its panels in setting the council's priorities and scrutinising the future direction of a service. They "had heard from Departmental Finance Officers that part of the budget process had involved calculating how much it would cost to meet individual performance targets, which effectively created a menu of options for Cabinet to choose from". Wiltshire county council's review recognised that "if there was an effective menu of options [scrutiny members] could have been involved in considering and selecting the performance targets, and hence funding priorities, for each service".

Cornwall county council's scrutiny review looked at the role of members and the information they required during the budget setting process. They made several recommendations relating to the importance of council priorities shaping the budget, and for:

- greater co-ordination between committees
- more detailed information for members on major issues at an earlier stage in the budget process
- improved layout and ease of understanding of budget reports

The London borough of Camden recognised the need for a corporate plan in its budget setting process, recommending that budget making should be "within a stronger, policy-led rather than finance-led, corporate planning framework". They recommended a "demystifying" of the process and fuller member involvement at an earlier stage. Camden referred to guidance from the Centre for Public Scrutiny on how scrutiny members have a role to play at different stages of the corporate planning process:

- **Strategic priority setting:** to ensure that council priorities reflect community interests accurately and address the national and regional concerns as appropriate.
- **Corporate planning process:** to make sure that the plan is prioritised to adequately reflect the community plan and individual service plans; also to ensure that the corporate plan is suitably aspirational.
- **Budget setting:** to ensure that the budget strategy makes provision for priorities as set out in the corporate plan.
- **Performance objectives and target setting:** to ensure that objectives and targets are an appropriate reflection of priorities as set out in the corporate plan; also to verify that they are logical and robust.
- **Performance monitoring and review:** to ensure that priorities are being met and to make recommendations for improvement where they are being missed.

Wear Valley district council simplified this role further, stating that members have the responsibility to make sure the that budget-planning choices were:

- Challenging
- Policy led
- Comprehensive
- Open and consultative

Like South Kesteven, Wear Valley found that members do not always have enough time to sufficiently challenge spending figures, for example, and that information should be made available sooner whenever possible.

Information for members

Council finance is, understandably, associated with maths and numbers. However, this is only the last part of the equation. The previous corporate director of finance and strategic resources had provided sessions for members from this angle and had been well-received. The working group, having discussed this further with the strategic management team, understand that one of the main reasons that 'council finance' is so off-putting to members is that the finance part is taken in isolation, rather than in the context of the relevant issues. This is supported by the results of the member survey where the perception of relevance was identified as one of the key reasons for

disengagement in council finance. The portfolio holder's view also supports this: "we have to target service plans to members and get them to buy into the service and its background planning and financing as a secondary function."

It was suggested to the working group that the key financial document - the Budget Book - be challenged in terms of its presentation and the ease of which it can be understood by members with little financial knowledge. This would set the tone for other financial documents produced. The working group suggested that there be an improved level of explanation in the notes in the budget book. It was also suggested that a document be produced showing the general picture with another giving detailed financial information and that relevant information, such as the cost to the council per swim at the leisure centre, per street swept etc. The overuse of financial jargon in council reports and presentations was also identified by the group as a significant factor in member disengagement.

Comment

"The use of jargon contributes to mistrust and a mystique of council finance. We have switched members off because we haven't stopped using jargon."

The working group noted that financial services had been, and currently is, under-capacity. This had caused some of the problems in the budget setting process for 2006/07 in terms of preparing information in advance of the service plan meetings. This issue had been addressed and the recruitment process was underway for vacancies in the team. More support should be available to members from the financial services team. The new Cedar software used by staff in financial services would also enable them to provide more relevant information to members.

The working group recognises that some detailed financial information is required for members because they need to be able to explain decisions to their constituents. This is a point supported by the portfolio holder who adds that area for member involvement in council finance is "understanding the processes and aims of service sections, monitoring, ongoing accountability to the public and being able to explain the reasons behind the spends and non-spends."

The working group also noted that the new corporate plan would provide a more robust framework for the budget preparation and the development of service plans in light of

the council's priorities. It was considered that for members, there were too many stages of the service plan gateway reviews to attend and this is why some members felt that they did not have enough time to attend. A recommendation on this has been made above. The corporate plan should ensure that members influence the way the improvements to priority areas are achieved within services by setting the focus to be followed by the service plans. Members should therefore only need to get involved in the service plans at the distinct stages outlined above.

The working group discussed the information presented in the service plans. For the benefit of members, it was suggested that a summary of the plans be provided to enable members to address their relation to the council's priorities. This will also allow members to focus on a service plan that is of interest or relevance to them.

The working group acknowledges the current efforts of the financial services staff in using clearer English in their reports and presentations. The council has been criticised in its recent Use of Resources assessment that member involvement in council finance could be better and the financial information provided.

The working group is satisfied that officers' plans to use more interesting layouts and less jargon in reports will help engage members.

The officers were also asked to consider their use of financial technical language at the use of resources training session in September and to consider providing an introductory session to provide basic knowledge.

Officers suggested that the closing of accounts information could be specifically scrutinised in terms of its use of language and presentation of financial information.

It is interesting to note that the London borough of Camden scrutinised budget information. They concluded that because of the complexity of local government finance, it was difficult to engage people in the council's budget. This included members. They called for a demystifying of council finance but not an oversimplification if it was not necessary. This is the same as the working group's findings, who considered that information should also be available at a more detailed level to cater for those members more confident in financial language.

Recommendations:

- (5) The Resources DSP is recommended that when scrutinising the council's budget book and other key documents, it challenges these in terms of its presentation and the ease of which it can be understood by members with little financial knowledge. That should also be an improved level of explanation in the notes to accounts.**
- (6) From the evidence gathered, the working group identified a clear need for financial information reports to be presented in various informative and alternative formats that can be easily be understood by anyone with little financial awareness.**
- (7) Reports and presentations produced by officers and members should as far as possible avoid the use of financial technical terms and jargon. When this is unavoidable then any such terms should be clearly defined in non-technical and plain English, either in the main body of the report, or in a separate glossary.**

Member training

The working group interviewed the council's training manager to determine the current situation and the best way forward for member training on council finance.

Members' inductions have always included information on council finance as part of a suite of modules. The finance module, however, was voluntary. On 23rd June 2005, the council decided to ask the Constitution and Accounts committee to prepare an amendment to the constitution with the effect that "from the 1st May 2007, the desirable and essential competencies required of both Cabinet and DSP members are defined with all members being required to attend designated sessions for the essential competencies within twelve months of their appointment". It is envisaged that this will require a

number of training sessions for essential core knowledge issues. In order to achieve full training for members, different methods and arrangements for training will have to be explored.

Comment

"New members were competing with the experienced members. New members should be given the choice whether to attend their own session or a session with experienced members".

Responses to recent training request sheets had shown improvement uptake of training by members. The issue to resolve was how much detail should be included in induction and training before getting into operational matters. Also, training arrangements at the moment mainly involved a set of sessions repeated throughout the year. This may need to be examined in the future.

The council has not yet fully explored using online training material. The training manager explained to the working group that preparation time for this is considerably more than for face-to-face sessions. It may attract some members and has a useful place in a range of training arrangements but it is believed to not be very popular. Personal interaction, which can help boost confidence, is lost for online learning. This is especially important for new members.

Comment

"I found the induction training sessions very wearing, they were long and rooms were crowded and there wasn't much opportunity to question officers. Shorter meetings with fewer members would have been better".

The working group considered timing of member training sessions to encourage attendance. The training manager had just piloted a training session starting at 4.30p.m. on the new training session options. In the past, sessions had been provided before other meetings to make it easier for members. This had not been as popular as expected and considerable wastage had been caused. Preferred times had been asked for but such a wide range of responses were received. This is supported by the working group's questionnaire to all members, which, although showing a general preference towards sessions at any time held in Grantham, demonstrated a broad range of preferences for training sessions. The training manager considered that trialling member sessions at different locations throughout the district could be successful.

The member survey also identified a desire for further training on council finance matters. 20 out of 28 respondents said that they would benefit from additional training in council finance.

Recommendation:

- (8) That the Constitution and Accounts committee be recommended that basic understanding of council finance matters be included as an essential training module for all members from the May 2007. Optional modules can be provided for higher levels of competency if there is such a demand. Further training in the council's financial affairs should be made available on a regular basis to all members and at variable times, durations and locations.**

APPENDIX A

RESULTS FROM MEMBER SURVEY – JUNE 2006

Did you attend one of the service plan gateway reviews during the 2005/06 budget setting process?

Yes: 14 respondents

No: 16 respondents

Of those who had attended, their likes and dislikes about these meetings were:

Likes		Dislikes	
Provided involvement in the budget	6	Papers not available on time	4
Opportunity to influence	3	Information not available	3
Complete information	3	Not enough time	2
Contact with staff	2	Too rushed	2
Well presented		Rushing from one meeting to another	2
Met their objectives		Not enough space to sit in meetings	2
Time efficient		Short notice	2
Fit the matrix of provisions		Too late in the process	
Discussion on past performance		Officer expertise not always present	
As a new process it 'worked'		Not enough members involved	
Informative		Timetabling poor with last minute changes	
'Big picture' building		Not always well-structured, ran over time	
Informality		Some lack of co-ordination from one gateway to another	
Comprehensive		More than one was held at the same time	
Opportunity to question officers		Information not updated	
Individual attention		Too much information with too little time	
Traffic light system		Information too complex in its relationship to activities	
Informative			
Interactive			
Timely			

Of those who had not attended, the following reasons were provided:

Reason	
Not enough time	8
Feel unable to influence decisions	5
Dairy clash/other commitments	2
Council finance is too complicated	2
Council finance is not relevant to my role	2
Health	1
Didn't understand what they were	1
Political reasons	1

All members were asked what they thought was so off-putting about council finance. The responses were:

Reason	
Complex	8
Perception of irrelevance	5
Difficult to understand	4
Jargon and acronyms	3
Lack of confidence	2
Lack of knowledge	2
Member of quasi-judicial committees do not have time to concentrate on council finance	1
Go on too long	1
Perceived as controlled	1
Male conservatives dominate the process	1
Mystery	1
More interested in 'people' matters	1
'Dry' presentations	1
Appears to be disjointed	1
Central government approach to funding	1
Limited budget flexibility	1

All members were asked if they thought they would benefit from additional training in council finance. The responses were:

Yes: 22 respondents

No: 8 respondents

Of those who responded 'yes', the following preferences were provided:

Time	Location	
Any time	Grantham	6
Evenings	Grantham	2
July	Grantham	1
Between 10am and 3pm	Stamford	1
Evenings	Grantham/Stamford	1
Winter	Stamford	1
Thursday/Friday	Anywhere	1
Daytime	Grantham	1
Any time	Anywhere	1
Monday	Anywhere	1
Before budget process	Grantham	1
Winter, am or early pm	Grantham	1
Morning of a DSP meeting	Grantham	1

One respondent suggested online or cd-rom training.