

Wiltshire Council

Overview and Scrutiny Management Committee

19 May 2022

Overview and Scrutiny engagement on financial, corporate and organisational matters

Purpose

1. To propose changes to Overview and Scrutiny's (OS) approach to engaging with financial, corporate and organisational matters, following a review led by the OS Management Committee Chairman.

Background

2. Under Part 2 of the council's Constitution, OS Management Committee holds the remit for the following:
 - a) Overall management of the OS function
 - b) Co-ordination of the overall work programme, aligned to the Council's priorities
 - c) Leading the working relationship with the Cabinet on the basis of agreed core values
 - d) Establishing any sub-committees, endorsing the formation of task groups, appointing representatives to project boards and delegating responsibility as appropriate
 - e) Assigning dedicated OS resources (officer team and budget)
 - f) Overview, policy development and scrutiny of policy framework and corporate and organisational matters
 - g) OS engagement on budget setting, budget monitoring and the Medium Term Financial Strategy (MTFS)
 - h) Overview, policy development and scrutiny of the Council's Business Plan
 - i) Annual review and periodic performance monitoring
 - j) Developing appropriate OS operational protocols.
3. For some years, OS Management Committee has delegated delivery of much of its financial remit to its standing Financial Planning Task Group. Task groups are generally accepted to offer a more flexible approach to meetings, a more extended dialogue with officers and executive members, and are an effective arena for looking at evidence in detail, enabling members to draw well-informed conclusions.
4. The Financial Planning Task Group's current terms of reference are as follows:
 - a) To review the Medium-Term Financial Strategy (4-year financial model).
 - b) To review the approach and robustness of the council's capital, debt, and revenue financial planning regime.

- c) To help develop the approach to the annual budget setting cycle.
 - d) To review the specific contribution of OS in the annual budget setting cycle with a focus upon outcomes.
 - e) To undertake periodic budget monitoring including reviews of key midyear trends and developments and to ensure that these are considered when updating the Financial Plan.
 - f) To, where it materially affects the council's overall financial position, to consider the council's:
 - a. approach to strategic procurement
 - b. major or financially significant contracts
 - c. financial investment in, and liability to, its wholly owned subsidiaries.
5. The Financial Planning Task Group meets regularly to deliver this remit and provides a standing update at each OS Management Committee meeting. It also conducts an annual pre-decision review of the council's draft Budget, presenting a report of its findings to OS Management Committee to inform the Committee's own debate, prior to the budget's consideration by Cabinet and Full Council.
6. The Children's, Environment and Health Select Committees currently have no formal role in undertaking financial scrutiny, though they are able to consider any service-based concerns flagged by the Financial Planning Task Group and refer any financial concerns back in kind.
7. As well as financial scrutiny, OS Management Committee leads OS engagement on all corporate and organisational matters. This includes scrutinising the effectiveness of the following service areas:
- ICT and Digital
 - Assets and Commercial Development
 - Procurement and Commissioning
 - Communications
 - HR&OD
 - Communities
 - Legal and Governance
 - Transformation.
8. Since OS Management Committee's previous meeting, the Chairman and Vice-chairman have undertaken a review of the current arrangements for delivering OS engagement on financial, corporate and organisational matters to ensure that the current arrangements are delivering OS's responsibilities as effectively as possible. The review has included discussion with the following members and officers:

Cllr Richard Clewer, Leader of the Council

Cllr Nick Botterill, Cabinet Member with responsibility for Finance

Cllr Pip Ridout, Chairman of Financial Planning Task Group

Cllr Gavin Grant, Vice-chairman of Financial Planning Task Group
Cllr Jon Hubbard, Chairman of Children's Select Committee
Cllr Johnny Kidney, Chairman of Health Select Committee
Cllr Jerry Kunkler, Chairman of Environment Select Committee
Andy Brown, Section 151 Officer, Deputy Chief Executive and Corporate Director for Resources
Lizzie Watkin, Assistant Director for Finance and Deputy Section 151 Officer
Perry Holmes, Monitoring Officer and Director for Legal and Governance
Henry Powell, Democracy and Complaints Manager and Statutory Scrutiny Officer

Main considerations

9. The review outlined above has highlighted the following issues, set out in more detail below:
 - The public profile of financial scrutiny and its importance to the organisation
 - Financial scrutiny of service-based and contract proposals to Cabinet
 - Clarifying Financial Planning Task Group's responsibilities overall
 - OS engagement on other corporate and organisational matters
 - OS member training in local government finance and financial scrutiny.

Profile of financial scrutiny

10. At present, most of the OS engagement on the council's finances takes place at a task group-level in meetings that are not accessible to the public. The highlights of this activity are reported in public at meetings of OS Management Committee.
11. The financial management of the council is crucial to its effectiveness and to the delivery of its Business Plan. In addition, the ongoing financial challenges faced by local authorities, and uncertainty in the wider economy, will make member-led financial scrutiny increasingly important in the coming years.
12. Despite the introduction of an update from the Financial Planning Task Group on each OS Management Committee agenda, committee debate of these updates remains limited and a greater profile for finance scrutiny is needed. It is therefore appropriate that, in addition to scrutiny at task group level, the council's key financial reports are received and debated in the public arena of an OS committee.
13. Discussion at OS Management Committee, which leads the OS forward work programme and includes the three Select Committee Chairmen in its membership, also encourages greater linkage between financial and service/outcomes-based scrutiny.

Financial scrutiny of service-based proposals and contract awards

14. The review found broad agreement that the technical financial reports to Cabinet (such as the quarterly budget monitoring reports) warrant robust, ongoing OS review, particularly with regard to monitoring financial risks and the delivery of agreed savings. However, the review highlighted mixed expectations around financial scrutiny of service and contract proposals to Cabinet, most of which carry some financial implications.
15. Experience over the past 12 months has demonstrated that scrutiny of financial matters alone represents a significant and important work programme for the Financial Planning Task Group. This should therefore be the focus of the Task Group's work programme.
16. While most service-based and contract award proposals to Cabinet do carry some financial implications, due diligence can expect to have been undertaken by officers to ensure that they are financially deliverable. The same principle applies to the environmental, safeguarding, legal and public health implications, which are also set out in all Cabinet reports.
17. However, it is also important that members retain the opportunity to conduct dedicated financial scrutiny of:
 - a) The council's strategic approach to procurement and contract activity (e.g. the impact of rising contract costs); and
 - b) The financial implications of the most **significant** contract decisions where they present risks that could materially affect the council's overall financial position.
18. This remit is therefore reflected in the revised terms of reference proposed below, with the caveat that further work be done to establish a minimum contract value above which financial scrutiny may be done.
19. Where a select committee also wishes to consider a major contract decision (but from a service/outcomes perspective), Scrutiny officers will seek to make arrangements that avoid duplication of resource where possible.
20. Select committees will also be reminded of their ability to query and flag significant concerns about the financial implications of any service-based proposals when undertaking their own reviews of Cabinet reports. These can be referred to the OS Management Committee for consideration and delegation to the Financial Planning Task Group if appropriate.

Financial Planning Task Group's terms of reference

21. In addition to the changes outlined under paragraph 17-18, other amendments to the Task Group's terms of reference are needed to clarify its responsibilities

regarding financial risks, savings, capital budgets and reserves. The following are therefore proposed as revised terms of reference:

- a) To review the council's draft Financial Plan, Medium-Term Financial Strategy (4-year financial model) and Treasury Management Strategy, reporting its findings to OS Management Committee.
- b) To undertake regular monitoring of the council's capital and revenue budgets (including the delivery of savings), ensuring that mid-year trends and developments are considered when the council's Financial Plan is updated.
- c) To undertake ongoing review of the council's financial position, including the monitoring of reserves, investments, debt and financial risks.
- d) Where they materially affect the council's overall financial position, to consider the council's:
 - i. approach to strategic procurement
 - ii. **major** contracts
 - iii. financial investment in, and liability to, its wholly owned subsidiaries.
- e) To help develop the council's approach to the annual budget setting cycle, including the specific contribution of Overview and Scrutiny.
- f) To bring regular reports to OS Management Committee, highlighting key financial developments and risks for further discussion.

OS engagement on other corporate and organisational matters

22. Services within the council's People and Place directorates receive extensive OS input via the Children's, Environment and Health Select Committees. These have a significant and direct impact upon Wiltshire's residents and are therefore a priority for their elected representatives. They also form a large proportion of the council's budget and the Cabinet forward work programme.
23. By comparison, fewer OS reviews are undertaken on the functions of the council's Resources directorate and other corporate functions, such as those listed under paragraph 7. Good examples of scrutiny work in these areas do exist, covering issues such as the council's Area Boards, Evolve Programme, Asset Transfer and Service Devolution Policy and approach to Public Consultations. However, this review has shown a consensus that further attention needs to be given to this area. It is therefore proposed to develop this part of the OS forward work programme in consultation with the appropriate Cabinet Members and directors.
24. OS Management Committee will also be aware of its important role in leading scrutiny of the council's organisational performance. As set out in the Business Plan 2022-32, the council is enhancing how it uses data and a new quarterly performance and risk report to Cabinet will be launched in the coming months.

25. As already agreed by OS, each select committee will determine the relevant performance measures it wishes to monitor and how to do so (e.g. through a standing task group or periodic updates to committee). To provide centralised OS oversight, it is proposed that OS Management Committee undertakes high-level monitoring of key performance measures and corporate risks, with select committee Chairmen flagging areas of importance as appropriate following investigation at select committee.

Finance scrutiny member learning and development

26. OS is intended to facilitate the 'lay person's perspective', with non-executive members representing the voice of the public. As such, members are not required to be experts in the topics under review. However, it is acknowledged that local authority finance is a technical area and increasing members' understanding of its rules and regulations and the local and national challenges will enhance the scrutiny undertaken. It is therefore proposed that appropriate learning and development be arranged to support all eligible members to undertake effective finance scrutiny.

Proposals

27. OS Management Committee to agree the following:

1. OS Management Committee to receive the following key financial reports, after review and commentary by the Financial Planning Task Group:
 - Draft Financial Plan
 - Medium-Term Financial Strategy
 - Revenue and capital budget monitoring
 - Treasury Management Strategy
2. The Financial Planning Task Group's responsibilities to be clarified by amending its terms of reference as set out under paragraph 21, with a definition of "major" contracts to be agreed following further discussion.
3. Select Committees to retain their ability to query and flag any significant financial concerns relating to any proposals they consider, with concerns referred to OS Management Committee for further discussion as appropriate.
4. Proposals for greater OS engagement on other corporate and organisational matters to be developed, following discussion between the OS Management Committee Chairman, Vice-chairman, appropriate Cabinet Members and directors.
5. The Chairman and Vice-chairman of OS Management Committee to develop proposals for the Committee's scrutiny of corporate performance

and risk, following discussion with the appropriate Cabinet Members, directors and Select Committee Chairmen.

6. Appropriate learning and development be arranged to support members to undertake effective finance scrutiny.
7. The adopted approach to be reviewed by OS Management Committee in 6 months' time.

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Appendices

None.