



# Resources Overview and Scrutiny Committee

## Report of the Head of Scrutiny Services

### 1 Purpose of the Report

- 1.1 To enable the Committee to set the overall direction of Scrutiny work for the year ahead and plan its work programme.

### 2 The Role of Scrutiny

- 2.1 The City Council's Overview and Scrutiny function:
- Provides "critical friend" challenge to executive policy-makers and decision-makers;
  - Enables the voice and concerns of the public and its communities to be heard;
  - Is carried out by 'independent minded members' who lead and own the scrutiny process;
  - Drives improvement in public services.
- 2.2 The functions and remits of the scrutiny committees are set out in the Constitution and are attached as item 5 on your agenda.
- 2.3 The role of a scrutiny member is not formally defined; however the responsibility includes:
- To personally contribute time and effort to both the development and the carrying out of the scrutiny work programme by attending and contributing to committee meetings and inquiries or task & finish groups including hearing evidence, considering conclusions and making recommendations in a final report;
  - To be fair and open, not take a party political stance and not make party political points;
  - To be independent minded and to not pre-judge issues coming to scrutiny nor use the meeting to promote narrow or parochial interests;
  - To challenge the evidence by asking probing questions where necessary in order to get the information needed without being confrontational and to actively seek ideas and opinions;
  - To attend relevant training as appropriate.
- 2.4 It is for individual Scrutiny members to declare any interests or conflicts of interest as per the Constitution.



## 3 The Committee's Remit

- 3.1 The Resources O&S Committee's remit is to "fulfil the functions of an Overview and Scrutiny Committee as they relate to any policies, services and activities concerning finance (including strategic finance, budget setting and financial monitoring); revenues and benefits; human resources; contracting, commissioning and commercialism."
- 3.2 The Committee's remit falls mainly within three Cabinet portfolios. In summary these include:

Leader	Deputy Leader	Cabinet Member for Finance and Resources
Financial Strategy Commissioning Strategy	Revenues and Benefits Service	Finances Human Resources Birmingham Business Charter for Social Responsibility Commercialism Procurement Contract Management Internal Trading Operations

- 3.3 Transparency, equalities and improvement will be cross-cutting themes for all O&S Committees.
- 3.4 Changes in the make-up of Cabinet portfolios and O&S Committees were confirmed at the City Council's AGM on 21<sup>st</sup> May 2019. A full summary of O&S Committee remits mapped against Cabinet portfolios is available from the Scrutiny Office on request.

## 4 Work programming

- 4.1 Effective work programming is the bedrock of an effective Scrutiny function. Done well, it can help lay the foundation for targeted, incisive and timely work on issues of local importance where Scrutiny can add real value. Done badly, Scrutiny can end up wasting time and resources on issues where the impact of any work is likely to be minimal.
- 4.2 Each Scrutiny Committee work programme is determined by the members of that committee. The work programme is discussed at the start of each year; and is updated throughout the year. Whilst Scrutiny Committees are independent from the Executive, there are benefits in aligning priorities, particularly when resources are scarce. The following section outlines some key areas for the forthcoming year.



## Prioritisation

- 4.3 Members often have a number of topics suggested to them and are therefore required to prioritise matters for consideration. The following factors could be considered:
- *Public interest*: concerns of local people should influence the issues chosen;
  - *Ability to change*: priority should be given to issues that the Committee can realistically influence;
  - *Performance*: priority should be given to areas in which the Council and Partners are not performing well;
  - *Extent*: priority should be given to issues that are relevant to all or a large part of the city;
  - *Replication*: work programme must take account of what else is happening to avoid duplication.

## 5 Financial Scrutiny

- 5.1 One of the key areas for this committee is the scrutiny of finance: budget setting and financial monitoring.
- 5.2 Focus on the City Council's budget intensified following the Birmingham Improvement Panel concerns about delivery of the 2016/17 budget and the challenge of the four year financial strategy.
- 5.3 Budget scrutiny is not just about what Scrutiny does: "Budget scrutiny is a corporate endeavour – a critical part of the assurance framework for councils, central to the regulatory and control environment."

### What is Financial Scrutiny?

- 5.4 Financial scrutiny is a crucial means of improving democratic legitimacy and levels of public confidence in decisions made on the public's behalf and incorporates both the *overview* and *scrutiny* elements of the role:
- **Overview – focusing on the strategy and how that is put together:**
    - Challenging decision makers on how well the financial strategy deploys resources to deliver policy objectives;
    - Testing assumptions contained in the strategy and budget plans;
    - Supporting the development of achievable efficiency savings and transformation plans;
    - Assisting community leaders to identify and mobilise community assets.
  - **Scrutiny – focusing on the implementation and management:**



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- Effective challenge in the execution and follow up of key decisions impacting on taxpayers and local communities;
- Holding decision makers to account for the quality of financial planning, monitoring and control to ensure public spending represents value for money – including reviewing where savings have not been achieved and understanding the reasons for this.

### Benefits

5.5 Sound financial scrutiny provides the council with another means to assess 'corporate health' and financial resilience. Involving scrutiny at all stages of financial strategy and planning has a number of benefits:

- It enables councillors to widen the evidence base upon which spending decisions and programmes of transformational change are predicated;
- It provides a check and balance to decision making by testing assumptions, examining risks and challenging how resources are prioritized;
- It can help ensure that a strategic, long term approach is taken when major service reconfiguration is being considered;
- It can help avoid political fragmentation by taking some of the heat out of contentious issues by acting as the focal point for discussions of major changes;
- It can support long term financial planning by finding areas of political consensus;
- It provides a 'whole council leadership' response in managing anticipated cuts to services;
- Councils' budget setting and financial management arrangements become more transparent, allowing councillors and the public to influence the executive's decisions.

### Potential Areas of Focus

- a. Budget Setting process – to examine how the City Council sets its budget annually; scrutiny's involvement in the budget setting process will be picked up by Co-ordinating O&S as it potentially involves all O&S Committees;
- b. Financial monitoring – Revenue and Capital Monitoring reports, and updates on items relating to treasury management (e.g. city council borrowing, reserves);
- c. Future Financial Strategy –to report on the progress of next year's budget and development of financial strategy;
- d. Horizon scanning / implementation of new policy – where new policies are being developed or implemented, the sub-committee may wish to receive reports on progress (e.g. retention of business rates).



## 6 Issues from 2018/19 by directorate

- 6.1 Over the last municipal year, the Committee considered the monthly financial monitoring reports and through those, identified a number of areas of concern, some of which
- Adult Social Care & Health
    - Transition Project – considered in January 2019 with further reports on the demand and demographics to be brought to a future meeting;
    - Packages of Care.
  - Children & Young People
    - Travel Assist – considered in July 2018 and February 2019 in relation to the contract extension and the continuing over-spend. A further update is to be programmed.
    - Day Nurseries
  - Place
    - Waste Management – considered in November 2018 in relation to over-spend;
  - Inclusive Growth
    - The Amey/Highways PFI contract was not discussed at committee last year, but was raised at the April meeting as a potential area for consideration.
  - Finance and Governance
    - Acivico – considered in December 2018
  - Commonwealth Games – considered in February and April 2019 in terms of the Council's contribution and impact on revenue.
- 6.2 A further issue was identified as part of the call-in heard in January 2019 – the contract for waste disposal was extended for a five year period with Veolia, whilst a new contract/approach was considered. The committee may wish to return to this and gauge progress.

### IT Delivery and Financial Impact

- 6.3 Members also took a report on the proposed new system for IT and HR for the City Council (September 2018). A further report on this is due to go to Cabinet in July. This raised questions around the delivery of ICT service. There is recognition that as the pace of technology-related change increases, so must the delivery of services through ICT. One common change is the development of consumption-based services models for IT delivery.
- 6.4 Previous approaches focused on capital intensive methods, purchasing hardware and software that is then owned and managed by ICT departments. But the market is moving away from this approach to a "pay as you go" type model. Cloud computing provides for on-demand services that can scale up and down as required. This means cost can be managed more effectively and reduce



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up-front costs. For public sector organisations, this reliance on revenue streams (which are currently reducing) presents both a risk and an opportunity.

- 6.5 The committee could look at this in more detail, in particular around how the City Council is approaching this issue, what is the financial impact and how are the risks and opportunities being managed. Such a piece of work could be conducted by a small review group, reporting back to the Committee.

## 7 Priorities for Improvement

- 7.1 At its meeting on 12<sup>th</sup> April, the Co-ordinating O&S Committee heard from the Leader of the Council following the publication of the Birmingham Independent Improvement Panel's final letter and the City Council's accompanying Stocktake report. The recently issued section 24 Audit letter to the City Council was also included in the discussion.
- 7.2 Both reports highlighted that whilst meaningful progress had been made, there is still much work to do. The City Council's Priorities for Improvement 2019-20+ set out the priorities (see Appendix 1), some of which relate to the Resources O&S remit – mainly in relation to workforce issues. A summary is set out below:
- Industrial relations – to build a new modernised Industrial Relations Framework;
  - A modern and progressive organisational culture – delivery of the Workforce Strategy and improving staff engagement and ownership of the Council's improvement agenda;
  - Managerial leadership – the Co-ordinating members will be having an update on the JNC re-structure, which has been re-scheduled for the June meeting; but matters relating to workforce, capacity and leadership sit within this committee;
  - Strategic planning, financial and performance management – including "ensur[ing] financial 'grip' and ownership of budgets, with people taking responsibility for the financial implications of the budget within directorates, and appropriate monitoring, reporting and constructive challenge from audit (internal/external) and Overview and Scrutiny";
  - Key corporate policies to enable effective corporate governance – including implementation of the Equal Pay mitigation strategy to deal with current and prevent future claims;

## 8 Priorities for the coming Year

- 8.1 The Resources O&S Committee is asked to consider its priorities for the coming year, taking into account the information set out above.
- 8.2 Members are asked to:
1. Identify two or three priorities for the committee over the next year;
  2. Agree any additional items for the work programme.



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