

FINANCIAL POLICY PANEL REVIEW

Head of Service:	Brendan Bradley, Head of Finance
Wards affected:	(All Wards);
Urgent Decision?	No
If yes, reason urgent decision required:	N/A
Appendices (attached):	None.

Summary

Following the Local Government Association (LGA) Finance Peer Review, which took place in March 2021, an action plan was developed. As a result of the Review, Full Council agreed in February 2022 a number of changes to financial decision-making procedures and committee responsibilities. This report is an appraisal of the implementation of those changes one year on and recommends further changes to the Council's constitution for the committee's consideration.

Recommendation (s)

The Committee is asked to:

- (1) Consider the proposed changes to Financial Policy Panel's responsibilities, as set-out in sections 3 & 4 of this report;**
- (2) Recommend that Full Council approve the proposed changes set-out in this report, including the re-naming of Financial Policy Panel to Financial Strategy Advisory Group.**

1 Reason for Recommendation

- 1.1 It is considered that the proposed changes would improve and strengthen the Council's financial decision-making procedures.

2 Background

- 2.1 In March 2021, an LGA Finance Peer Review recommended that the Council review its approach to decision making and scrutiny, and to refresh the approach to the capital programme. These reviews were subsequently undertaken, with the outcome and proposed changes agreed at Full Council in February 2022.

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- 2.2 One year on, it is now considered appropriate to review these changes to ensure they are functioning as intended and to identify whether further improvements could be made.

3 Refresh the approach to the Capital Programme

- 3.1 Following the LGA Peer Review, the Council agreed that capital programme forecasts should be extended (from three years) to cover a rolling five-year period, to give greater visibility of the expected capital investment required to maintain and enhance the Council's assets in future years.
- 3.2 This agreed change was implemented, with Capital Member Group (CMG) receiving (in Autumn 2022) and recommending five-year forecasts to policy committees for approval in the January committee cycle.
- 3.3 CMG consists of five members and is essentially a working party re-appointed by S&R each year. It meets in September and November, to consider initial and final capital project proposals and make recommendations to policy committees for approval.
- 3.4 CMG is not recognised in the Council's constitution and consequently its papers are not publicly available, other than its recommendations which are subsequently reported to policy committees.
- 3.5 Feedback from members is that the papers of CMG should be published. In addition, members have fed back that having different members and meetings to consider capital matters and Financial Planning matters, has led to a lack of member oversight and joined up decision making.
- 3.6 In response to the feedback and to improve transparency, it is proposed that the work CMG be incorporated into the work programme of Financial Policy Panel (FPP). This change, if agreed, would ensure that more members are directly and formally engaged in the capital programme setting process (six members on FPP compared to five on Capital Member Group), papers would become publicly available through FPP meeting agendas and there would be joined up decision making.

4 Review of Financial Policy Panel

- 4.1 FPP is currently scheduled to meet twice a year (prior to the LGA Peer Review, it met four times a year). It provides a forum that includes policy committee chairs to discuss and advise S&R Committee and the Council on strategic financial matters.
- 4.2 Members want FPP to be retained, as it provides a unique cross-committee forum for discussing the Council's strategic budget and financial policy framework, and for making recommendations to S&R with a cross-Committee mandate.

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- 4.3 However, feedback from members is that the move to twice yearly meetings has resulted in the group meeting too infrequently. In addition, it has been fed back that FPP would benefit from increased engagement on the Treasury Management Strategy.
- 4.4 Currently, treasury management performance monitoring is undertaken biannually by Audit & Scrutiny Committee, with the Treasury Management Strategy reviewed annually by FPP.
- 4.5 While this approach may seem sound in theory – with one group setting the strategy and a separate group monitoring performance against it – the result is that two separate committees receive relatively irregular treasury management updates, making member knowledge and familiarity with the Council's treasury management function difficult to maintain through the year.
- 4.6 To date external treasury management training is mandatory for one committee (Audit & Scrutiny) each year. While the training is open to all members, treasury management training is not currently on the FPP formal agenda.
- 4.7 It is proposed that responsibility for treasury management performance monitoring remain with Audit & Scrutiny but be delegated to FPP (as was the case pre-LGA Peer Review), to be consolidated with FPP's responsibility for setting the annual treasury management strategy. Members of both FPP and Audit & Scrutiny would receive the annual training, enabling one committee to effectively scrutinise the function and set the strategy. This training would also remain open to all members,
- 4.8 To enable Audit & Scrutiny to fulfil its oversight responsibility, it is proposed that FPP would report back annually (or more regularly on an exception basis if required) to Audit & Scrutiny to disclose how it has exercised monitoring of the treasury management function.
- 4.9 To deliver on this proposed change, as well as inherit the work of Capital Member Group, FPP meetings would be restored to four per year.
- 4.10 By consolidating the above responsibilities into FPP, the Council should benefit from continuity and improved oversight as one expert group would be in place to advise on financial strategy, capital programme setting and treasury management activities.
- 4.11 To mark this change and to recognise its new wider responsibilities, it is proposed that FPP be re-named as the Financial Strategy Advisory Group. The Group's expected core work programme would be as shown in the following table:

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Table 1 - Financial Strategy Advisory Group Proposed Core Work Programme		
Meeting	Agenda Item	Purpose
June	Strategic Financial Planning	To consider and advise on the budget setting framework for the forthcoming year(s)
	Review of Revenue Reserves	To review and advise on the level of Council reserves
September	Initial Capital Proposals	To review and advise which initial capital proposals should be worked up to final proposals
	Treasury Management Outturn	To review treasury management performance for the prior year
November	Final Capital Proposals	To review final capital proposals and recommend a programme to policy committees
	Interim Treasury Management Performance	To review in-year treasury management performance
January	Council Tax & Budget Report	To consider the government settlement and make a council tax recommendation to Council
	Treasury Management Strategy	To consider & recommend a Treasury Management Strategy for the forthcoming year

4.12 Within the Council's constitution, the specific functions of FPP and proposed changes are summarised in the following table:

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Table 2 - Existing Responsibility		Current Committee/Group	Proposed Committee	Rationale
To advise S&R Committee on:	All matters relating to the Budget and Policy Framework (including the setting of staff pay);	Financial Policy Panel	Financial Strategy Advisory Group	No change
	New legislation or government policy relating to local government finance;	Financial Policy Panel	Financial Strategy Advisory Group	
	To respond on behalf of the S&R to urgent consultation requests from central or regional government.	Financial Policy Panel	Financial Strategy Advisory Group	
	To ensure effective scrutiny of the treasury management strategy and policies.	Financial Policy Panel	Financial Strategy Advisory Group	
	Review of annual capital bids and recommend five year capital programme to policy committees.	Capital Member Group	Financial Strategy Advisory Group	As set out in paragraph 3.6
Monitoring of treasury management performance		Audit & Scrutiny	Financial Strategy Advisory Group	As set out in paragraphs 4.4 to 4.7

- 4.13 It is proposed that Financial Strategy Advisory Group (FSAG) meetings will generally be expected to take place on Friday afternoons from 2pm to 5pm.
- 4.14 The recommended group membership would remain unchanged from FPP – six members subject to rules on political proportionality. For 2023/24, those members currently appointed to FPP will become the members of FSAG. For future year appointments, recommended group membership will continue to include the Chairs of S&R, Environment, Community & Wellbeing, and Licensing & Planning Policy Committees. The S&R Chair would remain as the Chair of FSAG.
- 4.15 FSAG would remain an advisory panel (as was the case with FPP), meaning its recommendations are subject to formal ratification at the relevant policy committee (i.e. S&R unless agreed otherwise by FSAG) or Full Council.

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5 Review of Budget Monitoring

- 5.1 Following the LGA Peer Review, 2022/23 saw the introduction of quarterly budget monitoring reports to Audit & Scrutiny Committee. Previously, quarterly monitoring reports had been shared with members only via Members Update (as it was then known), but not to a formal committee.
- 5.2 It is considered that the new formal reporting to Audit & Scrutiny Committee has worked well, by increasing transparency and oversight of the Council's in-year budget position.
- 5.3 As each policy committee is responsible for their budget, there is a need for individual policy committees to receive monitoring information, although this needs to be balanced with what is deliverable by officers within current resources. As such, it is proposed that officers will ensure that quarterly budget monitoring reports to Audit & Scrutiny will also be shared with policy committee chairs. These would also be shared with all members via Members News once the policy chairs have had opportunity to review their monitoring report.
- 5.4 Furthermore, to ensure material issues are formally reported to policy committees, any adverse budget variances in excess of £100,000 will continue to require formal reports with mitigation options to the relevant policy committee.

6 Next Steps

- 6.1 With FPP being an advisory panel to S&R Committee, the Chair of S&R has been consulted on these proposed changes and has confirmed their support for them.
- 6.2 The Chair of Audit & Scrutiny Committee has also been consulted and is also supportive of the proposed changes.
- 6.3 To implement the changes proposed in sections 3 to 5, Standards and Constitution Committee is now asked to recommend them to Full Council for approval.
- 6.4 If approved at Full Council, the Constitution will be updated accordingly with the changes effective upon approval.

7 Risk Assessment

Legal or other duties

7.1 Impact Assessment

- 7.1.1 It is considered that the proposed changes will improve and strengthen the Council's financial decision-making procedures.

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7.2 Equalities Impact Assessment

7.2.1 There are no direct equalities implications associated with the proposals of this report.

7.3 Crime & Disorder

7.3.1 None arising from the contents of this report.

7.4 Safeguarding

7.4.1 None arising from the contents of this report.

7.5 Dependencies

7.5.1 If approved, the Constitution and Treasury Management Strategy will be updated to reflect the proposed changes.

7.6 Other

7.6.1 None arising from the contents of this report.

8 Financial Implications

8.1 There are no additional direct cost implications associated with the proposed amendments.

8.2 **Section 151 Officer's comments:** It is considered that the proposed changes will improve and strengthen the Council's financial decision-making procedures.

9 Legal Implications

9.1 None arising from the contents of this report.

9.2 **Monitoring Officer's comments:** None arising from the contents of this report.

10 Policies, Plans & Partnerships

10.1 **Council's Key Priorities:** The following Key Priorities are engaged: Effective Council.

10.2 **Service Plans:** The matter is included within the current Service Delivery Plan.

10.3 **Climate & Environmental Impact of recommendations:** No significant impact.

10.4 **Sustainability Policy & Community Safety Implications:** None arising from the contents of this report.

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10.5 **Partnerships:** None arising from the contents of this report.

11 Background papers

11.1 The documents referred to in compiling this report are as follows:

Previous reports:

- Financial Regulations Review report to Full Council, 15 February 2022.
- LGA Finance Peer Review report to S&R Committee, 13 May 2021.

Other papers:

- Capital Member Group report to S&R Committee, 26 July 2022.