



Financial scrutiny: a guide for members

Centre for Governance and Scrutiny

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About the Centre for Governance and Scrutiny

CfGS exists to promote better governance and scrutiny, both in policy and in practice. We support local government, the public, corporate and voluntary sectors in ensuring transparency, accountability, and greater involvement in their governance processes.

Governance and scrutiny are essential for the successful working of any organisation. Now, more than ever, trusted decisions are needed. We believe that decisions are better made when they are open to challenge and involve others – whether that’s democratically elected representatives, those affected by decisions, or other key stakeholders.

At the heart of better governance and scrutiny are the right behaviours and culture. Our work champions these relational aspects and designs the structures to support them, leading to more effective decision-making and improved outcomes for organisations and people.

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Introduction

This guide summarises and updates our “[Finance scrutiny practice guide](#)” (published in 2020). That guide still provides comprehensive, detailed information and advice on financial scrutiny – this guide is intended to serve as a way in, particularly for councillors who are new to the subject.

All councils are under significant financial strain. The sector faces a substantial funding gap in the coming years, making medium and long-term planning a challenge. In the short term, councils are forced to make tough choices – what to prioritise, how and where to make savings.

Being able to engage with financial information, and being able to scrutinise the way that the council addresses its financial challenges, is one of overview and scrutiny’s most pressing tasks. Working closely with the council’s member audit function, scrutiny can seek to understand how funds are spent – and if that spend is “value for money”. It can seek to uncover and understand where financial pressures arise. And it can contribute to thinking on councils’ longer-term plans, enhancing financial resilience at a time of great uncertainty.

This guide covers financial scrutiny in English councils only.

Member oversight of council finances: a brief overview

Councils have a legal obligation to deliver a balanced budget. This fundamental duty is supported by the connected requirement to set a medium-term financial strategy (MTFS), that sets out the authority's financial plans for the next three years.

Together the current Budget and the MTFS, which set out the council's position and plans on capital and revenue spending, should provide the council, and councillors, with some assurance for the longer term that plans exist to ensure public money is being managed well.

The duty to deliver a balanced budget and the duty to deliver Best Value: two fundamental obligations.

The balanced budget

Councils have an obligation to deliver a balanced budget. When the council's Budget for the next year is confirmed in January or February, it must be designed to fulfil this obligation.

Sometimes, issues emerge in-year that place the budget under pressure. Unexpected demands, or drops in revenue, can cause problems. Usually, the budget will be designed in such a way that these pressures can be managed. Under certain circumstances sums of money can be "vired" (moved) from one part of the council to another – although strict rules exist to manage this process. Sometimes, money from reserves can be used to ensure that the budget is properly balanced.

Very occasionally these steps will not improve the situation. In-year cuts and savings may be necessary. Advice can be given to members on the nature of these savings. Usually, senior officers and senior members will work closely together to reprofile, or redevelop, the budget to ensure that it can be properly balanced.

Sometimes even this proves impossible. On very rare occasions the council's chief finance officer has an obligation to declare that the council cannot, under current plans, deliver a balanced budget. This declaration forms the basis of a so-called "s114 notice". This is not a declaration that the council is bankrupt, but a trigger for stringent spending controls managed and monitored by the chief finance officer themselves.

Best Value

There is a requirement in the Local Government Act 1999 that obliges councils to provide for "continuous improvement" in how services are delivered – and to

ensure that services are economic, efficient, and effective. This is the so-called “best value” duty.

The commitment to 'best value' is important – it is about making the best use of public funds. It connects closely to the obligation to secure “best consideration” (i.e., the best deal) in contracting – recognising that the best deal may not always be the cheapest. This double duty ensures that services stay affordable, efficient, and effective, showing the council's dedication to managing money wisely.

Under this duty, authorities should also think about overall value, including economic, environmental, and social aspects when reviewing services. Social value is about maximising the benefit to local communities beyond the services themselves.

To understand how they can fulfil the best value duty, authorities will need to understand the needs of local people, because without understanding these needs it will not be possible for the council to design its services effectively. There will also be a need to engage with the council's partners (like the NHS) with whom the council needs to work closely to support local people. These conversations may or may not take the form of formal consultations, but communication and dialogue need to be something which councils explore and plan as a key element of good financial planning.

For more detailed guidance on best value, please refer to the [Best Value Statutory Guidance](#).

Assurance does not come automatically. Councillors have a duty to subject the Budget and MTFS – and the ongoing delivery of budget priorities – to scrutiny and oversight.

The responsibility for this oversight does not sit solely with scrutiny councillors and the officers who assist them.

Every council member has a "fiduciary duty" to safeguard the interests of local taxpayers in the management of the council's finances. The Local Government Act 2003 mandates councils to ensure that councillors, in various roles, are engaged in the oversight of financial matters – this includes the need to understand and have regard to the “best value” duty.

The current situation for council finances means that authorities are unlikely to have the funds to provide everything they would like to, in the way they want.

Councillors in leadership positions therefore think about their priorities and objectives and make sure that those objectives are what the budget process is based on; it is the job of scrutiny councillors to examine and critically explore this prioritisation, and these objectives.

Different councillors, and groups of councillors, have different roles in the system:

- The council leader (or directly elected Mayor) leads on the council's overall vision and objectives, and the associated financial requirements and holds ultimate political accountability for them to full Council, and the public.
- The cabinet member for finance has a day-to-day lead political responsibility on financial matters, working closely with the chief finance officer (known as the section 151 officer) to ensure that council services are delivered in a way that aligns with the budget and policy framework that full Council has agreed.
- Other cabinet members ensure that the objectives for which they hold responsibilities can be delivered within the council's budget and policy framework.
- Councillors on the audit committee hold a responsibility for overseeing the council's relationship with its external and internal auditors, oversight of governance and risk management and for ensuring the overall health of the financial control environment. There is a need for the audit committee to co-ordinate with the work of scrutiny in respect of financial matters – the two roles are closely connected. This aspect of financial governance is dealt with in our publication [“Audit and scrutiny”](#) (2021)
- All councillors play a role in overseeing the council's budget by approving the annual budget, participating in budget discussions, representing constituents' interests, monitoring financial performance, advocating fiscal responsibility, scrutinising financial documents, and engaging the public. They have a responsibility to ensure that the budget aligns with community needs and is managed effectively throughout the year.

Finally, there is an important role for overview and scrutiny committees. Here, we consider that there are four areas which scrutiny can work to support financial governance:

1. Reviewing how resources are allocated, monitoring how they are used, and examining their impact: This is about scrutiny understanding and reviewing how the council moves from the planning and design of the budget to actually delivering it. This includes reviewing how decisions are developed – the presence of business cases and options appraisals, and equalities impact appraisals. Doing this involves being aware of the council's budget position as the year develops – and of risks attached to the budget's delivery. The content of the scrutiny work programme can in part be based on the council's ongoing budget position – scrutiny will naturally need to focus more on areas where the greatest in-year pressures arise.

2. Examining how financial and service planning work together: Are corporate and service plans aligned with performance and financial management? Scrutiny should understand financial matters better and focus on strategic assessment rather than nitpicking details.

3. Checking if the council is using its resources wisely: Are they aligned with priorities and delivering value for money, fairness, and social benefit?

4. Carrying out these activities in public. Fundamentally, scrutiny can provide assurance to local people that the council is managing and spending money effectively by carrying out its work in a way that is visible and transparent.

Officers also have an important role to play in financial governance and oversight:

- The council's senior officers continually oversee and consider the council's financial performance – being held to account by members for their work in doing so.
- The s151 officer has specific statutory obligations to ensure the authority's control environment is robust and finances are spent in accordance with the law.
- The "golden triangle" of corporate officers, consisting of the s151 officer, monitoring officer, and head of paid service, has a broader responsibility for effective corporate governance, which encompasses financial matters.
- Councils must conduct effective internal audits to assess the adequacy and effectiveness of their risk management, control, and governance processes. The head of internal audit provides an annual opinion on these matters, which is considered by audit committee.
- The council's external auditor reports publicly on the council's value for money arrangements and assesses whether the financial statements accurately represent the audited body's financial position, expenditure, and income for the relevant period.

Understanding Scrutiny's Role: introducing three central tasks

Fundamentally, good scrutiny of council finances is not about querying budget lines on a spreadsheet or trying to dig through income and expenditure figures to find anomalies. Its value comes from interrogating the assumptions, and choices, that sit behind the figures – and providing a space for councillors' understanding of local people and their needs to influence the financial choices that councils make.

An essential component of how councils can guarantee their adherence to financial standards, and strong financial governance, is through supporting scrutiny and participating in its work.

In our view there are three things that scrutiny functions should do to ensure that they are fully engaged with financial governance:

- **Task 1:** Carrying out work relating to financial strategy, management, and governance. While the council's audit committee will have lead responsibility for this, scrutiny may still be able to contribute – and will certainly need to be away of the wider landscape of financial governance at the authority.
- **Task 2:** Carrying out work on the development of the following year's budget and Medium-Term Financial Strategy.
- **Task 3:** Carrying out work to keep a watching brief on the "in year" delivery of services in a way that complies with the budget and policy framework.

There is a wider need to ensure that scrutiny's wider work – task and finish reviews, scrutiny of a range of other subject – is anchored in an understanding of the financial position of the council in relation to those matters.

Each of these tasks is explained more fully in the following sections [Task 1: Financial strategy and financial governance](#), [Task 2: Scrutiny and budget development](#), [Task 3: Practical approaches to in-year monitoring of council finances](#).

In order to carry out these three central tasks, good scrutiny will need the following components:

- *Clarity of purpose:* the [Statutory Guidance published by the Government in 2019](#) advises that effective scrutiny benefits from having a clear purpose and direction, providing focus. Although scrutiny can look at anything impacting the local area and the area's inhabitants, it can be difficult for authorities to sustain a scrutiny function that investigates all the different problems presented, especially when working in partnerships. So, scrutiny may consider its primary purpose to be to contribute to policy development (through horizon scanning, or better understanding user needs), or to challenge and scrutinise performance.
- *"Mainstreaming" of financial issues within the wider scrutiny function:* scrutiny councillors can act on the understanding that every topic they may want to look at will have a financial component. "Financial scrutiny" does

not sit separately to other forms of scrutiny – although specific scrutiny of the budget – its design and delivery – is important. It is more powerful to use an understanding of council finances to give additional context to scrutiny of the council's services more generally, and scrutiny of the challenges and needs that local people face.

- *Deciding what topics to prioritise for scrutiny, based on scrutiny's overall purpose:* This prioritisation process should consider various factors, including the current context of the council, its potential impact on the council's overall objectives and the level of risk associated with the topics. Having regard to financial information can help with prioritisation – it may be that scrutiny will want to focus on those areas where the council is experiencing particular financial stress. Prioritisation will also be affected by the work of other bodies – the Audit Committee may be conducting work in each area which means that for scrutiny to work on the same issue would be duplicative. The information that scrutiny uses to prioritise must be intelligible to councillors and the public – although it is reasonable to expect that finance professionals will be in a position to advise on some issues.
- *Leveraging Local Expertise:* Councillors bring essential local context and understanding to the table. For instance, when evaluating a budget proposal for a new community project, members can provide valuable insights into the specific needs and preferences of the community they represent. This local knowledge can help ensure that financial decisions align with the best interests of their constituents, making the scrutiny process more effective.
- *Constitution and Oversight:* Different council scrutiny committees have different organisational frameworks, but they all have some responsibility for monitoring financial matters. Committees' terms of reference should be explicit about their various roles in financial decision-making, oversight, and assurance. The complementary role of the audit committee also needs to be considered (we discuss the role of Audit in more detail in section [The Audit and Scrutiny Relationship](#) below).

How financial scrutiny can add value

Once we understand the key tasks that scrutiny needs to perform, we can consider how to prioritise and plan its work to maximise its value. Scrutiny can add value by carrying out work relating to:

Resource Allocation and Impact – This means checking how money and resources are used and what effect that spending has. It involves keeping an eye on how budgets are made, spent, and monitored during the year. Usually, scrutiny will be able to do this “by exception”, looking at financial information throughout the year to identify any significant variances – for example, substantial overspends and underspends, unexpected virements (transfers of funds from one budget to another) and service areas where performance dips unexpectedly, suggesting that resources are not having the desired effect.

Integration of Financial and Service Planning - This is about checking how well the planning of the budget has aligned with the planning of the service. So, targets on performance should be designed to be deliverable within the available budget; the financial resources available should be enough to deliver a recognised service standard that may have been set either by the Council or may be set out in statute.

Doing this also helps to ensure that the council is able to keep track of its longer-term commitments – for example, the council may be investing more in a service in order to substantially improve performance.

This way, scrutiny can understand the council's financial choices in the context of its overall goals, making scrutiny more effective.

Ensuring Efficient Savings Delivery- Scrutiny committees play a crucial role in making sure the council saves money efficiently. They keep a close eye on how the council puts cost-saving plans into action, which straddles short-, medium- and long-term planning¹. This helps ensure that these savings happen as planned and bring the financial benefits they should. By regularly checking on how well the council is identifying and delivering savings, scrutiny can (often working alongside work by Audit Committee) help to provide assurance on long-term objectives. This can also contribute positively to scrutiny of investment and treasury planning – see “Treasure your assets” (CfGS, 3rd edition, forthcoming)

Making this work- Scrutiny committees should have sufficient resources to carry out these tasks. This should include support from financial professionals directly.

Collaborating with scrutiny reviews benefits finance professionals as well, as it exposes them to diverse perspectives and ideas, aiding in assessing the political viability of proposals and informing decision-making.

¹ We deal with the short-term aspects of savings delivery under the section titled “Task 3”, below.

Task 1: Review of financial strategy and financial governance

CfGS is producing a separate publication, “Treasure your assets”, which will be published in early 2024 and which explains the approach that councils take to managing their investments and reserves, and how scrutiny can contribute. This paper will be updated when this material has been published.

Financial strategy

To ensure effective scrutiny of medium-term plans and their alignment with annual budgets, it's crucial to establish strong connections between the various stakeholders involved in the budgeting process, including finance professionals, department heads, and oversight bodies. Scrutiny needs data and information – but it also needs the insight and support of finance professionals. Importantly, scrutiny also needs that data and information to be intelligible for scrutiny members and the public.

As part of this review of data and information, councils should pay special attention to their Medium-Term Financial Strategy (MTFS), which is like a roadmap for their financial journey

In their report titled '[Looking Forward - Medium Term Financial Strategies in the UK Public Sector](#),' CIPFA highlights the importance of scrutinising the Medium-Term Financial Strategy (MTFS). When it comes to scrutiny, it's essential to understand what to consider.

The MTFS assumes a critical role in striking a balance between a council's financial objectives and policies; and the constraints posed by the available resources. Think of it as a strategic guide for making informed financial decisions and managing resources effectively. It's worth noting that the MTFS is not a static document; it evolves over time.

Medium- and long-term financial strategy is based heavily on the way that councillors and officers assess risk, and their tolerance for risk when it has been understood. Usually, councillors will commission external experts to provide independent advice and assistance on medium term financial strategies, especially strategies that involve the use of investment, or commercial activity.

Medium term activity also involves reflection on the state of reserves, which may be earmarked for specific purposes. In an environment of heightened financial stress, it is prudent for councils to place more money in reserves in order to be able to confidently deal with unexpected events without risking those events hindering the ability of the council to build a balanced budget.

Effective scrutiny of the MTFS is aligned with scrutiny of the forthcoming budget (which we cover in “Task 2” below) but the questions to be asked of finance professionals, and Cabinet members, are likely to look different. They may include:

- What assumptions have we made about pressures and risks in setting out medium term approach?
- What is our current appetite for risk?
- Does our investment or reserves strategy match with our understanding and appetite for risk?
- How will our medium-term strategy conserve and augment our reserve position?
- Is our medium-term financial strategy aligned with our corporate plan, and what we know about service pressures – in terms of current performance and demography?

Financial governance

As we noted in the following sections: [Different councillors, and groups of councillors, have different roles in the system](#) and [Officers also have an important role to play in financial governance and oversight](#) above, a number of different individuals and groups within the council have a stake in financial governance. While oversight of financial governance is the primary responsibility of the Audit Committee rather than the scrutiny function, scrutiny still needs to be aware of that work – and to actively contribute to it. Action on financial governance will be necessary for scrutiny to be able to have confidence in the accuracy of the plans it reviews in the budget, and the way that the budget is spent in-year. This assurance in the fundamental underpinnings of the governance system, and of the “control environment”, is vital for scrutiny to be able to act with confidence.

The Audit and Scrutiny Relationship

Audit committees and scrutiny play distinct yet complementary roles within an organisation's governance framework. The specific roles and responsibilities of Audit committees are set out in the CIPFA publication “[Audit committees: practical guidance for local government and the police](#)” (2022), and in “[Audit committees and scrutiny committees: working together](#)” (CfGS, 2021)

The respective functions of scrutiny and audit committees can be summarised as follows:

<i>Audit Committee</i>	<i>Scrutiny Committee</i>
<ul style="list-style-type: none"> - Regulatory functions focused on audit, assurance and reporting. - Monitors effectiveness of controls, risk & governance arrangements - Monitors effectiveness of, and relationship between, assurance sources 	<ul style="list-style-type: none"> - Supports the review and development of policy. - Scrutinises decisions and performance. - Broad legal functions - A ‘critical friend’ and source of challenge to Cabinet - Undertakes scrutiny of partners and partnerships - Non-decision-making role.

<ul style="list-style-type: none"> - Oversees the work of the internal audit function (including reviewing internal audit reports) - Receives reports from the external auditor. - Makes recommendations, has some delegated powers. - Provides independent assurance – sometimes chaired by an independent person. - Independent of Cabinet and Scrutiny functions 	<ul style="list-style-type: none"> - Can make recommendations (to Cabinet and others) - Holds decision makers accountable.
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Chairs and officers involved in both audit and scrutiny should meet and correspond regularly to talk about workplans and identify any potential duplication or gaps in coverage. Subjects that need to be agreed include:

Clarifying the core roles of both functions.

As a first step, this involves an awareness of statutory roles and responsibilities. Officer support is important here. The council’s s151 officer and the head of audit and risk management, along with the council’s monitoring officer, will have a range of responsibilities. The role of scrutiny is more general. In legislation, scrutiny committees may look at anything which affects the area or the area’s inhabitants. Scrutiny committees can select a range of methods to do this – taking reports in committee or carrying out research in “task and finish” groups.

Scrutiny makes an impact by making recommendations to the council’s executive, or to other local bodies. [Government guidance on scrutiny](#) published in 2019 highlights the breadth of the function’s role and suggests that each council will need to consider a narrower focus for scrutiny activity which offers the opportunity for maximum impact.

Given these overall functions and responsibilities there are a few areas of policy and practice where the work of audit committees and scrutiny committees could overlap.

Regular conversations about committees’ work programmes and responsibilities.

Good working relationships are a precondition for any meaningful collaboration between audit and scrutiny committees. A formal protocol is not needed for this to work – nor is the exchange of reports or the mutual reporting of minutes to other committees. It is most likely that a brief monthly conversation between chairs will provide the best start – and will give a sense of what matters might need to be discussed in more detail. More detailed discussion might, for example, be needed around the time of the publication of the external auditor’s opinion and the preparation of the Annual Governance Statement (which we cover in more detail below). Less frequently, the council’s s151 officer, and Head of Internal Audit,

might want to discuss the scrutiny/Audit relationship and their mutual work with the authority's statutory scrutiny officer.

The Annual Governance Statement

The Annual Governance Statement (AGS) is a document that provide vital information on the council's financial governance arrangements and is a good place for scrutiny to start in understanding the health of the governance framework in their authority.

The AGS is agreed as part of the formal sign-off process for the statement of accounts and Value for Money assessment provided by the external auditor when the accounts for the previous year are signed off (which can usually happen any time between July and around October). At the time of writing, there are significant delays associated with the completion and approval of local authority statements of accounts, which means that this information may only be available for the most recent year in draft form.

The AGS is usually reviewed by the Audit Committee before being submitted to full Council.

Scrutiny can use the agreed AGS to better understand the challenges the council faces – although this does depend on the AGS being of good quality. A review of the document will help to clarify how scrutiny can manage its work, by looking at:

1. The evaluation of risks:

The AGS typically includes an assessment of the key risks faced by the council. Scrutiny committees can benefit from reviewing this in some depth – and having regard to the Audit Committee's actions in this area – because risks are likely to impact on performance in a way that will interest a scrutiny committee. By understanding these risks, scrutiny can prioritise its inquiries to address areas of high concern.

3. Pressures and Constraints:

The AGS, alongside reports to audit and scrutiny on risk and wider finance matters, can help scrutiny to understand the financial pressures and constraints faced by the council. Scrutiny committees can use this information to gain a clear understanding of the challenges that may impact the council's ability to meet its objectives. It allows scrutiny to align its efforts with the areas that require the most attention and support.

The insights in the AGS can be put into context by the **external auditor's opinion** on the council's financial statement of accounts, and on value for money. Scrutiny committees should pay close attention to the auditor's findings and recommendations, and review them in the context of what the AGS has to say about the same issues. This external perspective can provide valuable insights into areas where improvement is needed; in planning action on matters that the auditor has identified, scrutiny should work with the Audit Committee to minimise duplication.

Many councils have experienced delays in external auditors' signoff of their statement of accounts and value for money assessments. There is a backlog that is being cleared, but it may be that auditors are given permission to forego the need to produce "historic" VfM assessments where multiple years' reports are missing. Where key external audit reports are not present this should not reflect negatively on the council itself, but scrutiny members will need to consider that, for the period in question, the council may not have benefited fully from this external assurance.

Task 2: Scrutiny of budget development

How councils develop the budget

The budget development cycle follows a standard path, which can be summarised, as follows. Bear in mind that not all councils do it exactly this way:

Early Summer: Understand needs, review Medium Term Financial Strategy (MTFS), assess likely resources.

Summer into Autumn: Set priorities, begin developing savings and growth proposals (intensive period of activity for Cabinet).

Autumn into Winter: Publicise proposals, subject them to public debate at scrutiny, and refine.

Late Winter: Formal budget and policy framework approval at full Council. The budget and policy framework is generally agreed in February. Billing authorities (unitary councils and shire districts) must complete and approve their budgets, and set their council tax, by 11 March. Precepting authorities (county councils, and certain other authorities) must agree these matters by 1 March.

This approach shifts the scrutiny focus, away from a line-by-line examination of budget proposals, and towards earlier engagement in the assumptions that will come to underpin those proposals.

How scrutiny can engage practically

Recognising the sheer size and complexity of the budget document, often spanning hundreds of pages, conducting a comprehensive review of the entire document is impractical. Prioritisation is key. Scrutiny work must be proportionate and centred on scrutiny's mission to add value.

Key Budget Scrutiny Planning Questions:

- What insights does the MTFS provide regarding risks in the budget process and their translation into the draft budget?
- What does the MTFS, and the draft budget, say about the priorities that the council has identified?
- How has the council gone about determining what resources will be needed to deliver these priorities?
- How has that translated into planned changes in the budget itself?
- Among the proposed changes in the budget, which are likely to spark contention?
- What other options existed? How have these been considered, and how have certain options been rejected?
- Where are assumptions made about future income and costs? Are these assumptions robust?

- Where do assumptions pertain to future demand? Are these assumptions robust?
- How do these assumptions play into the overall risk profile presented by the budget? How do risks related to individual proposals intersect – and accumulate?
- Which of these risks warrant further scrutiny?

The budget isn't just about figures; it's the blueprint for delivery of the council's main plan. Think of the budget as a tool that turns that plan into action, making sure everything happens smoothly and efficiently.

It's important to take a 'whole system approach' – one that doesn't treat finances, and scrutiny of finances, in isolation. This means that budget scrutiny is part of the way that the council plans its priorities and services more generally. This big picture view is crucial.

While much scrutiny effort traditionally focuses on revenue budgets and council tax, the annual budget process also sets the stage for capital budgets and, where applicable, Housing Revenue Account budgets for council housing. Finance professionals should guide councillors to engage with both revenue and capital budgets, helping them understand how these aspects are interconnected. This may involve thorough capital project evaluations and business cases, which scrutiny may want to review before formal inclusion in the capital program.

Budget scrutiny can vary among different councils, but certain principles tend to be widely applicable. The checklist below is a helpful starting point to improve your budget scrutiny process. While it's not an exhaustive list and can be adjusted to fit your council's specific needs, it offers essential considerations to make your scrutiny more effective. It's all about enhancing transparency, making informed decisions, and aligning with your council's financial goals.

- Early involvement in the scrutiny process by a wider range of local people - *Effective budget scrutiny begins with inclusivity, and understanding the perspective of a wide range of people with a stake in the way that the council delivers services. Encourage participation in the process from a diverse group of stakeholders, including councillors beyond the Cabinet, community representatives, and experts from various fields. This early involvement ensures a broad range of perspectives and insights and does not necessarily require that detailed (draft) budget information be available. Instead, the focus might be on risks, assumptions, priorities, and options.*
- Avoid confining scrutiny efforts to formal reviews in January or late-year set-piece events- *Scrutiny should be an ongoing process. October and November are critical months for budget scrutiny. It's during this period that detailed analysis should take place. Reviewing financial plans, projections, and potential risks in-depth at this stage can help identify and mitigate issues before they become more challenging to address.*
- Ensure that the scrutiny process is proportionate and useful through meaningful collaboration with the s151 (and other chief officers). *These officers' expertise is invaluable in understanding the intricacies of the budget. Ensure that scrutiny efforts are proportionate to the size and complexity of the budget*

Planning: Supporting Evidence

A range of data and evidence may be available to support budget scrutiny. Evidence will grow through the year, but is likely to include:

- Covering information setting out the broad organisational context for the budget. *Evaluate the budget's robustness by assessing its ability to withstand unforeseen challenges and changes in economic conditions – the budget should undergo a degree of stress testing to ensure that it is resilient to unexpected events;*
- Business cases for change. *Assess the business cases for major projects and expenditure. Ensure that they align with the council's strategic goals and provide value for money.*
- Options appraisals where different approaches are being evaluated. *Review the options considered for various initiatives and investments. Evaluate the pros and cons of each option to make informed decisions, and consider whether all realistic options have been considered in appropriate detail.*
- Equalities impact assessments. *Ensure that the budget is scrutinised through an equality lens, considering the potential impact on different demographic groups – both in respect of individual proposals, and the whole budget cumulatively.*
- Consultation responses, where changes have been proposed formally. *Scrutiny can look into the feedback received from consultations with the public and stakeholders. Understand their priorities and concerns to better inform your scrutiny – for example, how have the responses from consultation informed budget proposals?;*
- Cost projections both for savings and growth. *Scrutinise the financial plans and projections to ensure they are realistic, sustainable, and in line with the council's long-term financial objectives.*
- Documents setting out savings targets, and how it is proposed that contributions to those targets will be found. *Pay special attention to significant changes in budget allocations, as they can have a substantial impact on service delivery and outcomes.*
- The Council's corporate plan, and the corporate performance report (or similar document). *Confirm that the budget aligns with the council's strategic goals and long-term vision.*
- Corporate information on programme management – to understand how the ongoing delivery of major projects will impact on, and be impacted by, next year's budget.
- Financial information from companies partly or wholly owned by the council, and other commercial activity.

A full list of budget scrutiny questions, mapped out across the financial year, can be found in the CfGS/CIPFA "[Financial scrutiny practice guide](#)" (2020)

Task 3: In-year monitoring of council finances

In-year monitoring is a fundamental aspect of effective budget management and scrutiny. This process involves the regular review of financial data throughout the fiscal year to ensure that the council's finances are on track and aligned with its objectives.

Practical Approaches to In-Year Monitoring:

Effective in-year monitoring is not simply about looking at numbers; it's about understanding the financial health of the council in real-time and identifying potential challenges or opportunities. Here are some practical approaches to in-year monitoring:

Taking regular reports away from committee: Quarterly financial monitoring data should be provided to scrutiny members for in-depth analysis. These reports should include detailed information on income, expenditure, and any significant variances from the budget. They should not be submitted directly to committee but should be used by members (and particularly committee chairs) to decide which matters should be escalated to committee for more detailed consideration.

It is important to avoid examining financial information in isolation. Instead, we strongly advise reviewing financial data in conjunction with performance data and data relating to risk (register registers, for example).

This is aligned with CfGS's recommendation that scrutiny functions should maintain a watching brief over services by reviewing performance, finance, and risk data together, outside committee, and using it to inform what goes on the work programme. Looking at raw data in committee itself is likely to be unproductive.

The overarching principle should be proactive analysis. This means looking beyond the numbers to understand the broader context and implications. For example, if there is a significant unexpected increase in spending in a particular department (where services are demand-led, for example), scrutinise whether this aligns with the expected service outcomes and if there are any associated risks.

Identifying Issues: The proactive analysis approach supports the identification of issues that warrant further examination by the committee. For instance, if the data reveals a consistent pattern of overspending in a specific area, it may be a sign of inefficiencies or the need for adjustments in resource allocation, and scrutiny may need to look at that issue in more detail.

Alignment with Audit: Regular liaison between scrutiny and audit chairs will ensure that the right issues are going to the right forum for detailed discussion. On some matters, it may be appropriate for both functions to look at the same issue from different perspectives before views are brought together – although it is important to avoid duplication. This approach serves the purpose of ensuring that the activities of both audit and scrutiny are mutually reinforcing and complementary in nature.

Risk Mitigation: In-year review – complementary to work being undertaken by the audit committee – also allows the committee to understand better risks and their

impacts. If, during the analysis, potential risks are identified, such as funding shortfalls or regulatory compliance issues, the committee can work with relevant stakeholders to understand, and inform, the strategies for mitigation developed by officers and overseen by the audit committee.