



---

## Report of the Head of Scrutiny and Member Development

### Overview and Scrutiny Committee

Date: November 6<sup>th</sup> 2006

Subject: Performance Management and Financial Health Monitoring

---

**Electoral Wards Affected:**

**Specific Implications For:**

Equality and Diversity

Community Cohesion

Narrowing the Gap

---

### 1.0 Purpose of the report

1.1 This report details the current thinking of members of the Overview and Scrutiny Committee in relation to performance management and scrutiny of the budget. The report also outlines proposals to strengthen the existing performance management and financial health monitoring undertaken by Scrutiny Boards.

### 2.0 Background

2.1 Elected Members have a crucially important role to play in developing and supporting a performance management culture. There is an opportunity to develop this role and to involve Members more frequently and in greater detail in the performance debate.

2.2 The I&DeA suggest that best practice involves Members regularly monitoring and acting on key performance indicators that reflect corporate priorities. This helps to send out a clear signal that performance and improvement are being taken seriously at the highest level.

2.3 The CPA – Harder Test focuses on Performance Management and the involvement of Members. The council will have to meet the Audit Commission's criteria for judgment to maintain a score of 3 for Performance Management in the December 2007 Corporate Assessment. The criteria include:

- Councillors have a record of focused involvement in performance management, through executive, scrutiny or council meetings. Executive and scrutiny members make use of information to manage continuous improvement. Scrutiny is outcome-focused, working within the framework of agreed community and

corporate plans. The executive and full council have clearly defined roles in performance management;

- The council sets realistic but challenging targets for improvement in performance, linked to the management of resources. The council allows time to monitor and compare performance information. The council uses performance information to focus on priorities and takes effective action to address areas of identified under-performance; and
- The council uses its knowledge about performance to solve performance problems at an early stage and this is widespread and systematic. Information about poor performance and problems is used to inform decision making. The council has a good understanding of the drivers of performance in all areas of activity to support this.

2.4 Our research shows that where Members are effectively and regularly involved in the performance management framework process it has resulted in many successes for councils. Members become more familiar with the issues facing the service and therefore are able to support and challenge the drive for improvement.

### **Main Issues**

3.1 Under the current arrangements Overview and Scrutiny Committee receives performance management information twice a year and budget information once a year. OSC Members have concerns that this is not frequent enough to pick up early signs of under-performance. To further strengthen the accountability process OSC has agreed to change its performance management and financial health monitoring arrangements to allow:

- Greater involvement of Members in the process;
- Presentation of more timely and more detailed information;
- The opportunity for performance issues to be examined in more detail throughout the year; and
- The opportunity for performance data to influence Scrutiny Board work programmes
- The opportunity for service performance data to influence budget setting decisions.

3.2 Budget setting should be done within a strong, policy-led (rather than finance-led), corporate planning framework, which draws on other processes within the council, i.e. corporate planning and performance management arrangements.

3.3 The Audit Commission says that budgeting should be based on the council's priority policies. This will ensure that money is spent on achieving the council's goals. One of the potential roles for an overview and scrutiny committee is to ensure that, once priorities have been set, they are properly funded. Overview and Scrutiny Committee can be most effective if rather than undertake a line by line analysis of departmental budgets; it tests and challenges the council's ability to adopt a budget process that directs resources to its corporate priorities and has the ability to make

early identification of future savings, growth and funding shortfalls. The Committee is also of the view that it can challenge some established assumptions, for example that budgets should automatically be rolled forward without the need for greater challenge to the base budget.

- 3.4 Another important function for scrutiny is to help the council find ways to best use existing resources and to bring in external funds. Such areas could include Section 106 agreements, prudential borrowing and trading and charging opportunities. It is the Committee's view that this approach requires scrutiny of the budget and Corporate Plan throughout the year in order to make a constructive input.
- 3.5 The Overview and Scrutiny Committee currently considers performance information twice yearly, usually in September and January. However, this information is several months out of date by the time it has first gone to Corporate Management Team and Accountability meetings.
- 3.6 In order to ensure that Scrutiny Board Members can become more involved with leading performance management, it is proposed that key performance and budget information be presented to Overview and Scrutiny Committee on a quarterly basis. At this stage the Executive may also recommend performance issues to be investigated by OSC. In order to give an overview of service performance, the performance reports will also include appropriate key financial information provided by the Corporate Financial Services Team. This process has been discussed with, and has the support of the Corporate Management Team.
- 3.7 The role of OSC would be to consider overall council performance. Whilst scrutiny of the budget and the corporate plan would primarily be undertaken by Overview and Scrutiny Committee, it is envisaged that the process would be supplemented by the work of individual boards. It is anticipated that Scrutiny reviews and work programmes would be prioritised to target priority issues and challenge areas of underperformance. Energy management and the generation of Section 106 monies have been cited as potential inquiries. In addition the Overview and Scrutiny Committee would recommend which performance issues individual scrutiny boards should look at in more detail over the subsequent 3 months. In this way individual scrutiny chairs would directly influence the choice of which performance issues are looked at in greater detail. Departments would be required to prepare a report on the issues for consideration by the appropriate scrutiny board.
- 3.8 *In addition*, individual scrutiny boards will receive departmental performance information on a quarterly basis and may wish to look in more depth at specific performance issues relating to their own board; this was recommended at the Overview and Scrutiny Committee meeting in September. This may require Directors and Chief Officers to attend Scrutiny meetings as requested to discuss performance issues over the 3 month period leading up to the next quarterly key performance meeting.
- 3.9 The dates for quarterly performance information to be presented to Overview and Scrutiny *from now on* would be as follows:

- Quarter 2

- Quarter 3 (end December 2006) 5<sup>th</sup> March 2007
- Quarter 4 (end March 2007) To be agreed

#### **4.0 Implications For Council Policy And Governance**

4.1 The CPA framework requires Members to have a record of focused involvement in performance management, through executive, scrutiny or council meetings. In terms of scrutiny of the budget, OSC would produce a report in December/January to feed into the annual budget debate, (in line with the Council's budget and policy framework).

#### **5.0 Conclusions**

5.1 By introducing the changes to the accountability process as set out above, the council will be able to demonstrate a more robust approach to performance management and the involvement of nearly 70% of all elected members. In addition, as part of the Corporate Assessment in December 2007, the council will need to evidence that its performance management and accountability arrangements meet the criteria for judgment as set out in the Key Lines of Inquiry for CPA-The Harder Test; the council needs to retain a score of 3 for performance management.

5.2 One of the potential roles for an overview and scrutiny committee is to ensure that, once priorities have been set, they are provided with adequate levels of funding. Undertaking coterminous scrutiny of the corporate plan and budget strategy would make a constructive input.

5.3 It is the committee's view that Scrutiny can be most effective if rather than undertake a line by line analysis of departmental budgets, it tests and challenges the council's ability to adopt a budget process that directs resources to its corporate priorities and has the ability to make early identification of future savings, growth and funding shortfalls. The Committee is also of the view that it can challenge some established assumptions, for example that budgets should automatically be rolled forward without the need for greater challenge to the base budget.

#### **6.0 Recommendations**

6.1 Overview and Scrutiny Committee is asked to reaffirm its support for the above arrangements for monitoring the performance and financial health of the council.

