

London Borough of Harrow

Overview and Scrutiny Committee

Review of Budget Processes – Interim Report

November 2004

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Acknowledgements	2
1. Recommendations	3
1.1. External consultation / participation objectives, mechanisms and experiences.	3
1.2. Budget management issues and experiences in other boroughs.	4
1.3. The current budget setting environment in Harrow, including internal consultation.	5
2. Introduction / Methodology	6
3. Discussion	8
3.1. External consultation / participation objectives, mechanisms and experiences.	8
3.2. Budget management issues and experiences in other boroughs.	12
3.3. The current budget setting environment in Harrow, including internal consultation.	13
4. Appendix: SCOPE OF REVIEW	17

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Other Harrow staff and members have assisted us extensively, in particular we wish to thank Nick Bell, Myfanwy Barrett, Paul Najsarek and Cllr. Sanjay Dighe for the comprehensive and constructive ways in which they shared information with the Panel.

We are also grateful to those other members of staff, residents, Officers at London Boroughs of Kensington & Chelsea, Camden, and Croydon, members of the public and local businesses who gave their time to speak to us.

Of the members of the Panel, particular mention must be made of the extensive time and expertise contributed by Jane Walker in the creation, administration and analysis of the staff questionnaire. One of the objectives of this Scrutiny was to extend the contribution to Scrutiny of seconded members of the public. Jane's contribution has convinced the members of this Scrutiny of the value that such contributions can make to Scrutiny and to Harrow.

This report has been compiled by the Members named on the front cover of this report. The views expressed are solely theirs.

1. RECOMMENDATIONS

1.1. External consultation / participation objectives, mechanisms and experiences.

1. Any consultation this year shall not take the form of a questionnaire along the lines of previous years.

2. The Council identify clear guidelines for consultative procedures which include:

- Identifying the purpose for each consultation carried out
- What consultative mechanism is best suited to typical purposes
- What standards should be adhered to in consultations [For instance: preventing duplicate submissions, avoiding misleading or loaded questions]
- Whether 'sales type' questionnaires (those that do not make clear the costs / other tradeoffs of a selection) should be used by the Council
- That these guidelines should be evolved and maintained by the standards committee

The Market Research Society guidelines on questionnaire design provide a useful professional standard for consultations involving questionnaires. These guidelines can be found on the MRA website: <http://www.mrs.org.uk/standards/quest.htm>. It is recommended the Council adopt MRS guidelines as the foundation principles for the consultative procedures and guidelines to be developed.

3. Future budget consultative processes are explicitly assessed against three criteria:

- The success of the process in disseminating knowledge in the community of the budgetary choices and pressures faced by the Council
- The success of the process in generating a sense of 'ownership' by the community of the budget setting process, rather than the community perceiving the budget setting process as something of which they are passive recipients, particularly for those groups in the community who are usually judged as being 'hard to engage'
- Does the process make explicit the political framework within which choice is being given [i.e. being politically transparent]

4. Measures be developed to assess whether any consultation has met these criteria.

We suggest that suitable measures might include:

- the number of residents who have participated in the consultative process,
- a measure of their satisfaction with the consultative process,
- the extent to which residents
 - feel 'well informed' on the budgetary choices and pressures facing the Council,
 - understand the political framework within which choice has been exercised,
 - believe that the budget has been determined primarily with the wellbeing of the residents of the borough, even if they disagree with the detailed outcome.

5. That Harrow considers the controlled use of a comprehensive on-line budget consultation program to establish the views of a representative sample of informed residents.

6. Harrow should experiment with participatory principles in a structured manner. The budget is an obvious candidate, given the substantial public interest in this area, and the interest of many groups in its outcome. We would suggest that Scrutiny is an appropriate medium through which such experimentation should take place, so long as such pilots as are undertaken are properly supported by Officers. We envisage the following process:

05/06 budget:

A pilot study to establish 'ways of working' between officers, members and community representatives on budget issues. Selected individuals would be invited to form a Community Budget Group (CBG) to 'Scrutinise Harrow's 05/06 budget priorities and to recommend how future participatory processes should be conducted'. The scope of such suggestions would be left to the group to determine. This group would report to the Budget Scrutiny group, who would in turn report to Overview and Scrutiny. Their training sessions and meetings would be open to members, but not to the public.

The responsibilities of the CBG would be to:

1. Submit a report to the February Council meeting at which Harrow's budget for 05/06 will be determined, via an Overview and Scrutiny executive action.
2. Submit a report to the Overview and Scrutiny following February full Council making recommendations for the 06/07 budget participatory mechanisms.
3. Write a one page article for the Harrow People to be circulated in the Budget issue of the Harrow People.
4. Issue press releases as it sees fit, with the assistance of the Communications Department,
5. Maintain a page on the Harrow website.

06/07 budget:

Subject to the report of the 05/06 pilot, we would recommend a similar process for 06/07, but with the membership of the group determined by a more representative mechanism.

1.2. Budget management issues and experiences in other boroughs.

7. Performance management:

That performance information is provided in a standardised form to Cabinet alongside budgetary information, along the lines of the Vital Signs report produced at Kensington & Chelsea

8. CMT / Cabinet accountability issues:

- That CMT has an annual 'contract for progress' that clearly defines the performance targets that are being proposed for the forthcoming year, and which require joint working for effective delivery
- That an annual 'business plan' be presented to full Council alongside the budget, along the lines of the Kensington & Chelsea Cabinet Business Plan

9. That a budget explanatory booklet along the lines of that seen in Camden be produced and placed on the intranet and internet

10. That the final Invitation to Negotiate document in the Transformation Partnership document has as a high priority the alignment of budgeting, management information, KPI and staff incentivisation systems.
11. Incentives (see also 12 below):
that serious consideration be given to the provision of financial incentives to senior staff along the lines of those given at Kensington & Chelsea. Incentives for junior and professional staff may be provided more effectively in another form [e.g. recognition] as pay incentives can never be a replacement for high-quality management and a professional, pleasant environment. Pay incentives within environments characterised by top-down management styles and arbitrary decision-making will not have a positive impact.

1.3. The current budget setting environment in Harrow, including internal consultation.

12. PERSONNEL DATA

We recommend that the ITN for the financial and HR systems specify that responsibility information should be included in HR records, which should facilitate the collating of staff survey data. We also recommend that the HR system should facilitate the production of a staff directory.

13. Best practice in departmental budget setting should be documented at the Corporate level and implemented in departments. This should include:
 - meaningful and timely communication and consultation with those affected by budgets
 - those responsible for managing budgets to be part of the budget construction process
 - the integration of budgetary material and KPI targets into departmental plans
 - formal cross-departmental working on departmental and budget planning
14. KPI should be part of regular departmental briefings to staff. Individual staff whose performance relates to particular KPI should be individually updated on a regular and timely basis of changes in those KPI.
15. Incentives to make savings and/or to deliver below budget, whilst meeting top quartile KPI targets, to be agreed at corporate and departmental level and included as part of the
16. That information provided to Councillors on this year's budget proposals:
 - Shall include information on how the 05/06 proposals differ from the actual out-turn for 02/03, together with an explanation of growth and reduction items against each item since that date
 - Shall include information on comparative actual figures for the last 5 years

2. INTRODUCTION / METHODOLOGY

The Review Group meets on average once a month and continues its communication between meetings electronically. Whilst the scope of this review divided the review into two strands, the review group has effectively acted as a single group.

This interim report covers the findings of the Budget Review Scrutiny group that result from:

1. An invitation to Harrow residents and partners to comment on the budget setting process.
2. Visits to the London Boroughs of Croydon, Camden, and Kensington and Chelsea.
3. A seminar on participatory budgeting.
4. A staff questionnaire on the budget setting process.
5. A members questionnaire on the budget setting process.
6. Discussions with officers, CMT and members.

Consultation with the public was achieved through an advert placed in the Harrow Times asking for the residents' views and opinions. This advert was also placed on Harrow's web site for the public to access. These approaches yielded a minimal response, which was clearly disappointing. From these responses, (and from conversations with others with whom we discussed these issues) we conclude there is considerable confusion as to the difference between past consultations by Harrow and referenda.

We recommend any consultation this year shall not take the form of a questionnaire along the lines of previous years.

The visits to the London Boroughs of Croydon, Camden, and Kensington & Chelsea were highly informative and extremely useful. We would recommend this approach to future Scrutiny groups.

The seminar on participatory budgeting raised the profile of Harrow and attracted significant national level interest. On this measure alone it must be considered a significant success for Harrow. It also proved an effective mechanism for exploring an innovative approach in a time-efficient manner, and has led to useful contacts in other organisations.

Within the Council an initial interview was held with the Executive Director of Business Connections. This interview helped decide the final questions for a questionnaire which was sent out to approximately 300 council employees and to all the Members of the Council.

The staff questionnaire was probably the most rigorous whole organisation staff consultation process carried out in Harrow outside the IIP process. Whilst the conclusions are in some ways unsurprising, it adds to the momentum for the current change process. It is essential that the new Harrow addresses the shortcomings of the old, or the change will have been in vain. This questionnaire reminds us all of what some of those shortcomings are.

The members questionnaire initially elicited a disappointing response. We now have a sample that is sufficient to draw some conclusions from. Those conclusions will follow this report.

As with all Scrutiny Groups in Harrow, transparency both internally and externally is of the essence. Discussions with CMT, officers and members have proved fruitful, and continue to inform the process. It is our intention to issue the results of the staff questionnaire in the near future as a press release, which we hope will generate debate on the future direction of Harrow.

This is an interim report. The next stage of the review will consist of the supervision of the Community Budget Group, and the review of the nature of the information presented to members and the public as part of the budget setting process.

3. DISCUSSION

Our findings cover three main areas:

3.1. External consultation / participation objectives, mechanisms and experiences.

Public engagement can take the form of individual consultation (e.g. via public meetings, consultation documents, service satisfaction surveys, suggestion schemes, polls), group consultation (e.g. via focus groups, citizens panels, area committees), referenda, or participatory mechanisms (e.g. via citizens juries, participatory budgeting). ODPM guidelines favour greater public engagement¹. The Audit Commission has linked engagement practices with CPA excellence, and ODPM currently has a project investigating participatory budgeting².

Consultation was used by all the Councils we visited in various forms. Often it was in the form of a poll, usually supervised by an independent polling organisation such as MORI (Croydon, Kensington and Chelsea). Often these polls were used to establish community priorities in order to prepare for subsequent initiatives (e.g. Croydon's referenda). Consultation was seen more as a 'benchmarking' exercise to establish the success or otherwise of the Council in meeting or managing expectations, rather than as a contributor to the budget setting process.

We became concerned over the course of the Scrutiny that the objectives to be met by Harrow consultations in general, and the budget in particular, were not clear. We therefore recommend that Harrow subscribe to clear objectives and standards for external questionnaires, such as those published by the Market Research Society.

We recommend the Council identify clear guidelines for consultative procedures, which include:

- **Identifying the purpose for each consultation carried out**
- **What consultative mechanism is best suited to typical purposes**
- **What standards should be adhered to in consultations [For instance: preventing duplicate submissions, avoiding misleading or loaded questions]**
- **Whether 'sales type' questionnaires (those that do not make clear the costs / other tradeoffs of a selection) should be used by the Council**
- **That these guidelines should be evolved and maintained by the standards committee**

¹ ODPM: Guidance on enhancing public participation: a summary.

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/pdf/odpm_locgov_pdf_023831.pdf

"It is time for participation to be no longer regarded as a luxury or an add-on frill to the normal working of a local authority. To build an enhanced and more effective approach to public participation requires a local authority to develop a systematic and strategic approach."

² Church Action on Poverty with Community Pride.

http://www.odpm.gov.uk/stellent/groups/odpm_urbanpolicy/documents/page/odpm_urbpol_607934-02.hcsp

The Market Research Society guidelines on questionnaire design provide a useful professional standard for consultations involving questionnaires. These guidelines can be found on the MRA website: <http://www.mrs.org.uk/standards/quest.htm>. It is recommended the Council adopt MRS guidelines as the foundation principles for the consultative procedures and guidelines to be developed.

Croydon's experience with referenda was not encouraging, so 'joint working' rather than the 'surrender of power' would appear to be the way forward. Even participatory budgeting in no way relieves members from the obligation to set a legal budget, so referenda would not appear to be the way forward.

Joint working, as outlined by ODPM, also implies more than simply finding out the views of citizens: education and dialogue are essential elements of any re-engagement process. To this end Kensington and Chelsea differentiated the 'focus group' (education / dialogue) from the 'MORI questionnaire' (feedback on Council performance / year on year benchmark of satisfaction).

We recommend Future budget consultative processes are explicitly assessed against three criteria:

- **The success of the process in disseminating knowledge in the community of the budgetary choices and pressures faced by the Council**
- **The success of the process in generating a sense of 'ownership' by the community of the budget setting process, rather than the community perceiving the budget setting process as something of which they are passive recipients, particularly for those groups in the community who are usually judged as being 'hard to engage'**
- **Does the process make explicit the political framework within which choice is being given [i.e. being politically transparent]**

We recommend measures be developed to assess whether any consultation has met these criteria.

We suggest that suitable measures might include:

- **the number of residents who have participated in the consultative process,**
- **a measure of their satisfaction with the consultative process,**
- **the extent to which residents**
 - **feel 'well informed' on the budgetary choices and pressures facing the Council,**
 - **understand the political framework within which choice has been exercised,**
 - **believe that the budget has been determined primarily with the well-being of the residents of the borough, even if they disagree with the detailed outcome.**

Harrow's resident's panel has provided Harrow with a useful mechanism to establish resident's views. Interestingly in Kensington and Chelsea also has a residents panel. but residents are automatically dropped from the panel after 2 years – not a practice in Harrow. The resident's panel is self-selecting, so in that sense is not representative of Harrow residents. Neither has there been any attempt to 'educate' the panel, so they represent 'uninformed' opinion. Resident's panels appear to have a role to play, but it can

be questioned whether they are a good basis to establish either informed or uninformed opinion.

If the objective of consultation is to establish the views of informed residents, then focus groups are attractive. However, there is some concern that a dominant individual can skew the responses of a focus group, and the extent to which a small focus group can ever be representative of the wider community, even where membership is randomly selected. Kensington and Chelsea still use focus groups, but again appeared to see this as 'good housekeeping' in staying abreast of community perceptions, rather than as a community education or re-engagement process.

On-line programs also fall in this category. They have the advantage over focus groups of avoiding dominant individual effects, but we are not aware of any Council that has used them in combination with a controlled random sample of residents to establish Council priorities. Were this to be done, then they might offer a convenient and cost effective way of establishing 'informed resident' opinions in a controlled environment. This would be an interesting initiative, and one which Harrow might consider. However, they would still not inform the wider community, nor would they facilitate re-engagement of that community.

We recommend that Harrow consider the controlled use of a comprehensive on-line budget consultation program to establish the views of a representative sample of informed residents.

The experience of participatory budgeting in Brazil, where they have been used extensively for over 10 years, is that they can re-engage with whole communities, and with hard to reach groups in particular. Participatory budgeting in Brazil consists of local authority organised area meetings in which residents express their views on what the capital spending priorities of the City Council should be over the next year, and then elect delegates to carry this message to the next level of the participatory process. The number of delegates elected is dependant on the number of people attending that local meeting. Delegates from local meetings attend Participatory budget setting meetings where they are briefed by and work with City officials to create a Community Budget. This budget is then considered by the City Councillors, who may accept, reject or amend it in coming to the final City Budget. Delegates then have the job of reporting back to their area meetings the outcome of the previous year's budget setting process at the meeting where the following year's delegates are elected.

The Brazilian experience is that the participatory process is highly political, is effective only where the Community Budget covers a significant portion of the City budget, and where Councillors choose to take significant notice of the recommendations of the Community budget. Even then, the process may give rise to a lack of strategic vision, with short-term priorities sometimes dominating. However, in Porto Alegre, a city of 1.2 million, 50,000 people were involved in the process last year, and the process is apparently popular.

Participatory budgeting, as practised in Brazil, would probably not suit Harrow. Harrow does not have a significant discretionary capital budget. Harrow's population cleaves along more than just geographic lines, and Harrow already has an established civic society with which to engage. However, Harrow also has a significant engagement issue. A 'them

and us' culture has grown up between the people Harrow Council serves, and the Council itself. This schism requires more than just consultation to address it.

Participatory mechanisms are challenging for three reasons (as identified by ODPM):

1. the danger of unrealistic expectations
2. worries about the 'representativeness' of those who participate
3. a concern that the authority's decision-making responsibilities might be usurped.

Taking each point in turn, we consider the first point to be challenging, but to simply reflect the need for a transparent, comprehensive and thorough educational element to any participatory process. Such a requirement mirrors what is needed for members anyway, so we would anticipate the two processes of member education and the education of participatory budgeting representatives to take place in tandem.

The second point is equally challenging. A number of mechanisms exist for selecting participants, for instance:

1. Issuing invitations to selected individuals
2. Inviting applicants, and then selecting from amongst those who apply (the process utilised by the Standards Committee)
3. Inviting applicants, grouping applicants appropriately, and then selecting from amongst those groups by lot.
4. Inviting delegates from representative organisations in the Borough.
5. Organising two (or more) meetings in the Borough along 'Brazilian' lines.

Any mechanism would need to ensure that participants were representative of the principle attributes of the community, and the selection process would need to take this into account. Whether any mechanism should also favour the selection of individuals with relevant skills and / or experience is open to debate. Additional reassurance as to the probity of any participant by requiring them to sign up to a 'code of conduct'.

The final point should not be significant. Members would retain responsibility for setting the final budget. The only risk is therefore unpopularity in a more transparent and open environment. We consider this risk to be inevitable if we succeed in re-engaging with the community.

It is our recommendation that Harrow should experiment with participatory principles in a structured manner. The budget is an obvious candidate, given the substantial public interest in this area, and the interest of many groups in its outcome. We would suggest that Scrutiny is an appropriate medium through which such experimentation should take place, so long as such pilots as are undertaken are properly supported by Officers. We envisage the following process:

05/06 budget:

A pilot study to establish 'ways of working' between officers, members and community representatives on budget issues. Selected individuals would be invited to form a Community Budget Group (CBG) to 'Scrutinise Harrow's 05/06 budget priorities and to recommend how future participatory processes should be conducted'. The scope of such suggestions would be left to the group to determine. This group would report to the Budget Scrutiny group, who would in turn report to Overview and Scrutiny. Their training sessions and meetings would be open to members, but not to the public.

The responsibilities of the CBG would be to:

- 1. Submit a report to the February Council meeting at which Harrow's budget for 05/06 will be determined, via an Overview and Scrutiny executive action.**
- 2. Submit a report to the Overview and Scrutiny following February full Council making recommendations for the 06/07 budget participatory mechanisms.**
- 3. Write a one-page article for the Harrow People to be circulated in the Budget issue of the Harrow People.**
- 4. Issue press releases as it sees fit, with the assistance of the Communications Department,**
- 5. Maintain a page on the Harrow website.**

06/07 budget:

Subject to the report of the 05/06 pilot, we would recommend a similar process for 06/07, but with the membership of the group determined by a more representative mechanism.

3.2. Budget management issues and experiences in other boroughs.

The issue that interested us most were the links between budgeting, performance management and staff incentives.

We found little explicit links between budgeting and key performance indicators (KPI), whether national or local, in any of the Boroughs we visited, although all were struggling with these issues. The model that appealed to us the most was Kensington and Chelsea, where the budget setting process was closely aligned with the reporting of KPI.

We recommend performance information is provided in a standardised form to Cabinet alongside budgetary information, along the lines of the Vital Signs report produced at Kensington & Chelsea.

Kensington and Chelsea also had a 'contract' on the delivery of non departmental KPI agreed by the senior management team. This integrated with an 'annual business plan' that was presented to full Council alongside the annual budget.

We recommend

- That CMT has an annual 'contract for progress' that clearly defines the performance targets that are being proposed for the forthcoming year, and which require joint working for effective delivery**
- That an annual 'business plan' be presented to full Council alongside the budget, along the lines of the Kensington & Chelsea Cabinet Business Plan**

Camden produced a very useful summary of the budgeting and risk issues for each year, a document which Harrow might usefully consider producing as part of any member / public education process.

We recommend a budget explanatory booklet along the lines of that seen in Camden be produced and placed on the intranet and internet

Harrow is currently seeking a partnership agreement one of whose roles will be to deliver a Management Information System. One of the benefits of a partnership

agreement is that Harrow need not concern itself initially with the mechanism of delivery, but can focus on specifying the higher level outputs. We are very supportive of this approach.

We recommend the final Invitation to Negotiate (ITN) document in the Transformation Partnership document has as a high priority the alignment of budgeting, management information, KPI and staff incentivisation systems.

We also found little by way of staff incentives relating to either KPI or budgeting. The exception to this was Kensington and Chelsea, where individual performance related pay enhancement and promotion was in existence. However, for such an approach to effectively motivate staff the data on which assessments are made must be considered by all to be both relevant and reliable. Members were split on whether such incentives should be recommended in Harrow.

We recommend serious consideration be given to the provision of financial incentives to senior staff along the lines of those given at Kensington & Chelsea. Incentives for junior and professional staff may be provided more effectively in another form [e.g. recognition], as pay incentives can never be a replacement for high-quality management and a professional, pleasant environment. Pay incentives within environments characterised by top-down management styles and arbitrary decision-making will not have a positive impact.

3.3. The current budget setting environment in Harrow, including internal consultation.

An extensive staff questionnaire was designed and distributed. The purpose of the survey was to gather views from a cross-section of employees at all levels in the organisation on a range of aspects of the budgeting process, in order to ascertain which aspects of the process are robust and where there is scope for change or improvement. There were some issues acquiring the information on responsibility for employees through the Personnel systems.

We recommend that the ITN for the financial and HR systems specify that responsibility information should be included in HR records, which should facilitate the collating of staff survey data. We also recommend that the HR system should facilitate the production of a staff directory.

89 responses were received, representing a reasonable spread of all job responsibility levels with the exception of front-line staff who were under-represented.

The findings show that, generally, there is a difference between the views of senior managers and others in the organisation on the majority of budget-setting issues. The views of senior managers (those at director levels) are mostly positive about the process and quite unanimous. These views are not widely shared by others in the organisation.

Communication and consultation on budgetary issues tend to be weak – within departments, across departments and externally. Downwards dissemination of budgetary information seems too patchy, and this may reflect different departmental, service, work

group etc. practices. The mix of responses on many issues seems to suggest that different work practices exist within the organisation generally.

People tend to feel that, although their service plans reflect their user / stakeholder requirements, this is not matched by the final budget allocated. This may suggest that the final budget is viewed as inadequate to meet the requirements of the plan.

There are very distinct differences in the priorities of various groups in terms of the purpose for which resources are allocated. Generally, senior managers perceive a strong focus on innovation, change, quality and continuous improvement. However, those responsible for this implementing this vision (service managers, managers, team leaders) view the priority as continuing existing activities within the available budget (preserving the status quo). This indicates a divergence of strategic direction between those who lead the direction and those who implement that direction.

People perceive no incentives to make savings and deliver below budget in any given financial year. Generally, the consequences of under-spent budget are viewed as disincentives, such as the inability to carry the under-spend forward (the allocation is lost to the service forever), and a perception that under-spend leads to a reduced budget in the following year. This suggests that even where there is scope to make savings, people may not do so because of the potential consequences.

There is much support for managing budgets along the lines of the newly introduced medium term budget strategy (MTBS) basis. However, the findings might be indicative of some confusion about how MTBS is meant to operate, and may be being construed as a 3-year funding allocation. If this is the case, then the purpose and operation of MTBS need to be explained more clearly.

Although there is good awareness of the performance indicators (PIs) that are used to assess services, the feedback that people (below service manager level) receive on how their service is doing against the PIs is patchy. Generally, PIs are viewed as limited in their usefulness in terms of reflecting user needs and assisting people to focus on important issues. If 'what gets measured gets done' then PIs may be more of a distraction rather than a viable measure.

Determining strategies, objectives and budget proposals seems to be perceived as primarily a 'top-down' activity, especially service strategies and objectives. However, the responses do indicate some move towards a more 'bottom-up' approach, particularly on budget proposals. It may be that the 'strategic style' here varies according to department, service, work group etc.

In terms of senior management decision-making and leadership in the budgeting process, the senior managers do not see themselves how others see them. Senior managers are generally positive about their role on the range of aspects surveyed, whereas others in the organisation tend to be neutral. People do not seem to be particularly inspired either way (positive or negative).

Generally, councillors are not viewed positively in terms of their role in the budgeting process, other than by senior managers who would tend to have the most contact with them. However, these findings must be viewed in context. Councillors are politicians who, by nature, would tend to attract cynicism (regardless of political party). Overall, the findings

suggest that most respondents view councillors to be 'out of touch' with departmental issues.

In summary:

Consultation, communication & information dissemination

- internal – staff views differ radically from CMT. Staff perceive
 - o consultation patchy, often weak. Relied heavily on informal channels.
 - o budgeting as poorly related to departmental planning,
 - o departments to be in competition for funds,
 - o little cross-departmental working,
 - o staff affected by budgets often not consulted during production,
 - o budget managers often not consulted when budgets set,
 - o PI results seen as important, but not always disseminated downwards,
 - o Staff do not feel consulted.
- external – limited. Plans more likely to reflect service user needs than budgets.

Quality of information

- Lots of information, but over half thought the quality of the information to be poor.

Training

- staff felt inadequately trained in budgeting.

Views on resource allocation focus

- 'no change' or 'crisis led' view of budgeting practices dominant at lower levels
- little perception of contingency planning.

Resource use & MTBS

- little or no perception of any incentive to make savings or deliver below budget
- lack of understanding of MTBS – 3 year plan or 3 year funding allocation?

'Strategic style' & role of the centre

- inconsistent view across organisation. Is it 'top down' or 'bottom up'? Which should it be?
- Senior management viewed with indifference,
- Councillors viewed as distant and broadly incompetent on most measures.

We recommend best practice in departmental budget setting should be documented at the Corporate level and implemented in departments. This should include:

- **meaningful and timely communication and consultation with those affected by budgets**
- **those responsible for managing budgets to be part of the budget construction process**
- **the integration of budgetary material into departmental plans**
- **formal cross-departmental working on departmental and budget planning**

We recommend KPI should be part of regular departmental briefings to staff.

Individual staff whose performance relates to particular KPI should be individually updated on a regular and timely basis of changes in those KPI.

We recommend incentives to make savings and/or to deliver below budget, whilst meeting top quartile KPI targets, to be agreed at corporate and departmental level and included as part of the 'Investing in people' strategy.

We recommend that information provided to Councillors on this year's budget proposals:

- **Shall include information on how the 05/06 proposals differ from the actual out-turn for 02/03, together with an explanation of growth and reduction items against each item since that date**
- **Shall include information on comparative actual figures for the last 5 years**

4. APPENDIX: SCOPE OF REVIEW

1	SUBJECT	Budget Setting Scrutiny Work stream 1: Budget setting / the strategic environment Work stream 2: Communications
2	OBJECTIVES	To review and make recommendations concerning: Work stream 1: (Strategic environment and interface) The budget setting strategic context: the effectiveness of links between budget setting and a) Strategic objectives, & departmental plans b) Performance measurement & KPI's c) Staff incentivisation d) Risk management e) Spending authorisation process (budgets / business cases) f) Corporate Governance: Members roles Work stream 2: (Communications) a) The nature of the information disseminated <ul style="list-style-type: none"> • Internally (to staff and members) and • Externally (to the public, stakeholders) as part of the budget setting process. b) The nature of the external budgetary consultation process
3	SCOPE	Wherever possible, the two streams will combine so as to collect data at a single interview / visit or group meeting. <u>Joint initiatives:</u> <ul style="list-style-type: none"> • A desk top review of existing material produced by this authority, other authorities, the Government, Professional Bodies, and private sector organizations • The interview of senior officers (CE and Exec directors) to clarify current procedures in Harrow, and future plans for change. • Visits to other authorities to review best practice and the change management processes undertaken. (Camden, Croydon, and Kensington & Chelsea) • A presentation to members and stakeholders concerning the Porto Alegre Participative Budget setting experience • A questionnaire to budget holders • A questionnaire to Portfolio holders and Executive members • A questionnaire to non-executive members <u>Additionally for work stream 1:</u> <ul style="list-style-type: none"> • Sit in on performance matrix sessions <u>Additionally for Work Stream 2:</u> <u>INTERNAL</u> <u>Officers</u> <ul style="list-style-type: none"> • 1:1 interviews or email questionnaire with budget holders (1) • Email service delivery officers(2) <u>Members</u> <ul style="list-style-type: none"> • Focus group (6) of non – Exec members (2) <u>EXTERNAL</u> <u>Public</u> <ul style="list-style-type: none"> • Res. Assoc/vol. orgs – survey (2) • Internet – invite input from visitors (1) • Harrow People – invite input. (1) <u>Stakeholders / partners</u>

		<ul style="list-style-type: none"> • Attend local stakeholder meetings and solicit views • NNDR – through NNDR consultations (1) • Partners – HSP (2) • Survey of local MPs
4	COMMITTEE	Sub-committee or O&S
5	REVIEW GROUP	<p>Lead Member: Cllr Ingram Lead member, work stream 1: Cllr Ingram Lead member, work stream 2: Cllr Versallion Members and co-optees: Cllrs: Blann, Arnold, John, Lammiman Co-optee: Jane Walker</p>
6	ACCOUNTABLE MANAGER	<p>Finance Manager Communications Manager</p>
7	LEAD OFFICER FOR REVIEW	Executive Directors of Finance and Organisational Development
8	SUPPORT OFFICER	<p>Frances Hawkins Lopa Sarkar</p>
9	COMMITTEE SUPPORT	<p>Limited support will be available for:</p> <ul style="list-style-type: none"> • Arranging meetings and external visits • Providing a brief overview of the meeting (NOT minuting) • Obtaining information specifically requested by lead members • Liaison with CMT and officers generally
10	EXTERNAL INPUT	<ul style="list-style-type: none"> • Visits of identified Authorities • A presentation to members and stakeholders concerning the Porto Alegre Participative Budget setting experience • Surveys, interviews and meetings as in scope section above
11	METHODOLOGY	<ul style="list-style-type: none"> • Presentation by Project Manager on the operation of the pilot scheme, including evaluation of performance against targets identified in the Local Environmental Quality Scheme (Capital Standards), and staff & physical resource requirements • Examination of Project Evaluation report prepared for Cabinet • Analysis of feedback received to date - including feedback from focus groups; ongoing customer liaison; meetings with residents, traders and staff working on the pilot; Audit Commission review - using MORI data as the baseline • Inspection tour of area • Discussions with Project Steering Group & key officers • Meeting with Portfolio Holder
12	TIMESCALE	<p>An interim report by October 2004 for the O&S Committee Final report by December 2004</p>