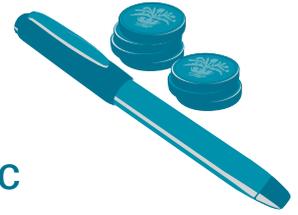


# Scotland's public finances – a follow-up audit



## Checklist to support councillors' scrutiny of public finances (Local Government)



### Introduction

The following checklist is designed to help councillors with their important role in budget-setting and overseeing financial plans and financial performance. It also provides a basis for discussions in councils on the budget-setting process, long-term financial planning and the availability of good information to support effective scrutiny of public finances.

The questions should help councillors to seek evidence, and subsequently gain assurance, on their council's approach in dealing with ongoing financial pressures. The applicability of the checklist will vary according to the responsibilities of each councillor.

If the answer to any question is 'no', then we would encourage councillors to speak with the council's Director of Finance (section 95 officer), or, where appropriate, the Chief Executive, to discuss how improvements can be made.

The checklist is divided into three sections and should be read in conjunction with the report [Scotland's public finances: a follow-up audit \(PDF\)](#)  published in June 2014. This report provides a high-level update on the financial position and on how public bodies are meeting the challenges of reduced public spending. It considers the importance of budget-setting linked to outcomes, long-term financial planning and robust scrutiny of finances.

## Section 1: Budget-setting – roles, responsibilities and approach

The following questions focus on the roles and responsibilities of those involved in the annual budget-setting process. Questions also cover the budgeting approach and how budget-setting links to the achievement of outcomes. [\(See main report paragraphs 29 to 33\)](#)

Budget-setting – roles, responsibilities and approach		Y/N
<p><b>1.</b> Do I have a good understanding of how the budget-setting process works within my council?</p> <ul style="list-style-type: none"> <li>Do I have confidence that budget proposals are realistic?</li> <li>Are the roles and responsibilities of individuals and committees involved in budget-setting clearly documented and understood?</li> <li>Am I clear about my own specific responsibilities within the budget-setting process?</li> </ul>		
<p><b>2.</b> Has my council developed a priority-based approach to budget-setting which makes connections between planned spending and intended outcomes?</p> <ul style="list-style-type: none"> <li>Are budgets clearly linked to the council's priorities and outcomes as set out in strategy documents?</li> <li>Does the council work well with community planning partners to ensure budget-setting takes full account of shared priorities, such as those included in the Single Outcome Agreement?</li> <li>Are different spending options made available to decision-makers, including new ways of delivering services, and have I seen them?</li> <li>Are the costs and benefits (financial and non-financial) of each option clearly documented including the impact on service users and related risks?</li> <li>Do spending options consider the unit costs of services and benchmarking data and how these will change over time?</li> </ul>		
<p><b>3.</b> Is there a clear mechanism for monitoring and reporting how, over time, spending decisions are contributing to outcomes?</p> <ul style="list-style-type: none"> <li>Is sufficient time built into the budget-setting process to allow for effective scrutiny and challenge of spending plans?</li> <li>Is sufficient attention given to current year spending against the current year budget when setting budgets for future years?</li> </ul>		

## Section 2: Long-term financial planning

The following questions consider councils' financial strategies and plans over the short (one year), medium (two to five years) and longer-term (five to ten years). [\(See main report paragraphs 34 to 38\)](#)

Long-term financial planning	Y/N
<p><b>4. Does my council have a long-term financial strategy (covering 5 to 10 years)?</b></p> <ul style="list-style-type: none"> <li>• Does the council also have detailed financial plans that outline spending commitments over the short (one year) and medium-term (two to five years)?</li> <li>• Do the financial strategy and financial plans provide me with an overall understanding of the financial health of the council?</li> <li>• Are the financial strategy and financial plans subject to scrutiny by the finance committee and full council on a regular basis?</li> <li>• Where assumptions and forecasts are used are they clearly stated? Are they reasonable?</li> </ul>	
<p><b>5. Does the financial strategy consider:</b></p> <ul style="list-style-type: none"> <li>• the cost of providing individual services?</li> <li>• the main cost drivers for each activity?</li> <li>• evidence-based options for achieving savings?</li> <li>• details of one-off and recurring savings?</li> <li>• scenario planning to outline best, worst and most likely scenarios of the financial position?</li> <li>• details of assets, liabilities and reserves and how these will change over time?</li> <li>• an analysis of levels of service demand and projected income?</li> <li>• any income or funding shortfalls and how to deal with these?</li> <li>• clear links to other relevant strategies such as workforce and asset management?</li> <li>• the risks and timescales involved in achieving financial sustainability?</li> </ul>	
<p><b>6. Do detailed short and medium-term financial plans clearly link and align to my council's longer-term financial strategy?</b></p> <ul style="list-style-type: none"> <li>• Do short and medium-term financial plans take account of the overall resources available in the community planning partnership area?</li> </ul>	
<p><b>7. Am I satisfied that appropriate action is being taken to address potential future funding gaps?</b></p> <ul style="list-style-type: none"> <li>• Am I aware of all significant financial risks facing the council and their implications?</li> <li>• Am I satisfied with the council's approach to holding, moving and using reserves?</li> <li>• Am I aware of all contracts which will have a significant long-term financial impact on the council?</li> <li>• Am I aware of the long-term financial impact on future budgets of using revenue-finance methods (such as non-profit distribution and tax incremental financing) to pay for capital investment?</li> </ul>	

### Section 3: Information to support effective scrutiny of public finances

The following questions consider the importance of good quality information for financial scrutiny. They also consider the training provided to councillors to support them in their role. [\(See main report paragraphs 39 to 51\)](#)

Information to support effective scrutiny of public finances	Y/N
<p><b>8.</b> Am I provided with good financial and performance information which enables me to effectively challenge spending proposals and decisions?</p> <ul style="list-style-type: none"> <li>• Do I know whom to ask for explanations or if the information is not what I require?</li> <li>• Am I able to gain assurance that any questions raised are addressed and resolved?</li> </ul>	
<p><b>9.</b> Is there a culture of openness and transparency in providing information for scrutiny and in the scrutiny process itself?</p> <ul style="list-style-type: none"> <li>• Is information provided:               <ul style="list-style-type: none"> <li>– reliable?</li> <li>– timely?</li> <li>– complete?</li> <li>– transparent?</li> <li>– consistent across time periods?</li> </ul> </li> </ul>	
<p><b>10.</b> Do I receive financial and non-financial information in a form that enables me to easily understand my council's financial position?</p> <ul style="list-style-type: none"> <li>• Do I receive good information about the changing environment within which the council operates including:               <ul style="list-style-type: none"> <li>– financial and service pressures?</li> <li>– impact of public service reforms, such as welfare reform and health and social care integration?</li> <li>– the effect of policy decisions such as no compulsory redundancies and national pay policies?</li> <li>– the introduction of, and changes to, legislation?</li> <li>– actions by other councils, public bodies and private and third sector organisations?</li> </ul> </li> <li>• Is benchmarking data made available about other councils on comparable services and is this used to inform decision-making?</li> <li>• Is trend information available to allow a clear understanding of the organisation's progress towards achieving financial sustainability?</li> <li>• Are satisfactory explanations provided for all significant changes in comparing budgets with actual spending?</li> </ul>	
<p><b>11.</b> Am I confident my knowledge of public finances enables me to challenge and review financial and performance information?</p> <ul style="list-style-type: none"> <li>• Am I provided with, and take up, sufficient training to support me in my scrutiny role?</li> <li>• If sufficient training is not provided, do I know who is responsible for resolving this?</li> </ul>	