

CAMBRIDGE CITY COUNCIL

REPORT OF: Chief Executive

TO: Civic Affairs Committee

19/09/2013

WARDS: All

Budget Setting Timetable – proposals for 2014

1. Introduction

- 1.1 Civic Affairs Committee considered a report on 26 June 2013 which reported on proposals to replace the Medium Term Strategy process with a Mid-Year Financial Review. These proposals were subsequently adopted by full Council. This report looks at the changes proposed to the budget setting timetable to complement these changes.
- 1.2 The report also updates the Committee on the progress with some other actions which were contained in the action plan in response to the budget forecasting error.

2. Recommendations

Civic Affairs Committee is asked:

- 2.1 To recommend to Council the attached timetable for the Council's budget setting process for 2014 and the changes to the Council's Budget and Policy Framework Procedure Rules in Appendix B to reflect these.
- 2.2 To note the feedback on the progress made on other actions.

3. Proposed Changes to Budget Setting process

- 3.1 The Council has agreed that, in future, the (previous) Medium Term Strategy (MTS) will be replaced by a much shorter Mid-Year Financial Review (MFR) document, with the Budget Setting report (BSR) being the place where the Council sets out its medium term financial strategy, as well as detailed budget and Council Tax proposals for the following year.

- 3.2 By removing the long-term strategic elements from the mid-year document (rather than duplicating that which will also appear in the BSR), the aim was to release officer capacity and to provide members with a more concise and focused document to facilitate more thorough scrutiny.
- 3.3 These changes alter the nature of the BSR and therefore officers have also been reviewing the consequent changes required to facilitate this, how the budget can best be scrutinised and how this can be managed effectively within the capacity available within the new organisational structure.
- 3.4 It is proposed that for 2014:
1. To facilitate the more detailed work required in the BSR, the publication date will be moved back from before Christmas to 8 January.
 2. Each Scrutiny Committee will receive a short report focused on the revenue and capital budget proposals (bids and savings) relating to its relevant Portfolios. Committees will be asked to comment on the budget proposals to inform the overall scrutiny of the budget by Strategy & Resources Scrutiny Committee
 3. The scrutiny of the budget in its entirety will take place at Strategy & Resources Scrutiny Committee on 20 January.
 4. The Executive will meet on 23 January to consider and recommend the Budget Setting Report and Council Tax requirement to Council.
 5. Special Strategy & Resources Scrutiny Committee on 7 February will consider any budget amendment proposals
 6. The HRA Budget Setting Report will be scrutinised by meetings of Housing Management Board and Community Services Scrutiny Committee on 16 January. This meeting will also consider any Executive and / or Opposition HRA budget amendment proposals prior to the Executive Councillor for Housing approving rent levels and revenue budgets. The Executive Councillor will also make final capital proposal recommendations to Council at this meeting.
- 3.5 The overview timetable is attached at Appendix A and the Committee is asked to support this approach.
- 3.6 The Council is asked to adopt the changes to its Budget and Policy Framework Procedure Rules set out in Appendix B. These reflect the recommendations in this report and update the Rules to reflect current

practice; e.g. by removing reference to service plans. The changes also consolidate the “Budget Recommendations and Amendment Rules” currently set out in Appendix A2 of the Council Procedure Rules.

4. UPDATE ON OTHER ACTIONS

4.1 Progress has been made on outstanding actions in the action plan as follows:

4.2 **Internal Audit to work with the Finance team to make improvements to the control and supervision in the service and to address recommendations made by External Audit.**

4.3 Internal Audit has worked with Accountancy over recent months to assess the steps being taken to address shortcomings identified by External Audit. The Head of Accountancy Services has provided Internal Audit with a series of documents which sets out the current and improved processes being implemented. These include a clearly defined escalation process should any error be identified and improved version control.

4.4 The Head of Internal Audit reports that from their analysis the processes appear robust and include all stages / requirements to deliver appropriate financial control. However, as we have not yet run through a full financial cycle it has not been possible to verify all of these in a 'live' environment.

4.5 Once each process is activated, Internal Audit will follow through to ensure appropriate evidence is in place for changes; compliance checks and clarity of responsibility; and in particular the timings for reconciliation verification. They will report back to Civic Affairs Committee as part of our half year progress report or Annual Audit Opinion (dependent on timings).

4.6 As there will be a change of management within the section, they will provide continuous review of this area and support to any future appointment. This will include a further follow up in 2014/2015 to establish whether or not changes have been embedded.

4.7 **The financial model will be reviewed to ensure it is fit for purpose in accordance with recommendation 6 and decisions made on whether to make changes and improvements to the existing model or to procure a new one.**

- 4.8 The Director of Resources and Head of Accounting services have completed a review of the systems used by other local authorities and a proprietary commercial alternative. None of the local authority alternatives were found to offer material improvement on the current system, and the commercial alternative would involve a significant capital and ongoing revenue commitment.
- 4.9 In light of this, it is proposed that the current model (as reviewed and amended) will be used to support this year's process. Further consideration can be given to future changes by the new Head of Finance, linked to the restructure plans for the service, in preparation for the 2015/16 Budget round.
- 4.10 **Any recommendations from external audit as part of their annual audit work will also be incorporated into improved process.**
- 4.11 A report from our External Auditors for the year ending 2013 is on the agenda for this meeting of Civic Affairs. They conclude that "in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013." They conclude that the internal control weaknesses identified in relation to budget setting has been reported as an exception to their report but have not modified their overall conclusion on the basis of this.

5. IMPLICATIONS

(a) Financial Implications

None direct

(b) Staffing Implications

The proposals are designed to match the capacity available.

(c) Equal Opportunities Implications

There are no direct equal opportunities implications.

(d) Environmental Implications

The proposals have no climate change impact.

(e) Consultations

The proposals have been developed with Director of Resources, Head of Accounting Services, Head of Internal Audit and Head of Legal Services

6. BACKGROUND PAPERS:

The following are the background papers that were used in the preparation of this report:

None

The author and contact officer for queries on the report is Antoinette Jackson on extension 7001.

Report file:

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Appendix A

Financial Planning Timetable

Date	Major Stage
2013	
23 May	Council adopts Annual Statement setting out plan & priorities for 2013/14
18 Sep	General Fund (GF) Mid-Year Financial Review (MFR) published for S&R Scrutiny Committee
19 Sep	Housing Revenue Account (HRA) MFR published
30 Sep	S&R Scrutiny Committee / Leader recommendation of GF MFR to Council
1 Oct	Housing Management Board (HMB) considers the HRA MFR
10 Oct	Community Services Scrutiny Committee considers the HRA MFR
14 Oct	Accountancy despatch: Budget Process Guidance
	Accountancy despatch: Budget proposals pro-forma to Heads of Service
	Accountancy despatch: Budget Working Papers to Cost Centre Managers
17 Oct	MFR & budget briefing for Heads of Service
Oct	Budget process workshops for managers
24 Oct	Council considers GF and HRA Mid-Year Financial Review reports
8 Nov	Managers to complete and return Budget Proposal Forms to Accountancy <ul style="list-style-type: none"> · 2013/14 Revised Budget items · 2014/15 Revenue Budget Proposals · 2014/15 Capital Budget Proposals · Outcomes of Service Reviews
15 Nov	Managers return completed budget working papers (incorporating budget proposals)
w/c 18 Nov	Officer Working Groups meet to consider and comment on budget proposals
16 Dec (provisional)	HRA Budget Setting Report 2014/15 published

Date	Major Stage
Dec	Provisional Government Settlement Announcement
2014	
6 Jan	GF budget proposals for Environment and Community Services Scrutiny Committees published
8 Jan	GF Budget Setting Report 2014/15 published for Strategy & Resources Scrutiny Committee
Jan	Final Government Settlement Announcement
14 Jan	Environment Scrutiny Committee consider budget proposals for own portfolios
16 Jan (provisional)	<p>Meetings of Community Services Scrutiny Committee and Housing Management Board (Special) consider the HRA Budget Setting Report</p> <p>Community Services considers any Executive & / or Opposition HRA budget amendment proposals relating to capital</p> <p>HMB meeting considers any Executive & / or Opposition HRA budget amendment proposals to revenue budget and / or rent levels</p> <p>Executive Councillor for Housing approves rent levels and revenue budgets. Executive Councillor makes final capital proposal recommendations to Council.</p>
16 Jan	Community Services Scrutiny Committee consider General Fund budget proposals for its own portfolios
20 Jan	Strategy & Resources Scrutiny Committee considers GF budget proposals for its own portfolios and GF Budget Setting Report
23 Jan	Meeting of The Executive to consider and recommend GF Budget Setting Report and Council Tax requirement
7 Feb	Special Strategy & Resources Scrutiny Committee considers any GF budget amendment proposals
27 Feb	Council approves GF Budget and sets Council Tax (including precepts). Council approves Capital & Revenue Projects Plan (including HRA recommendations)
31 Mar	Approved budget reports to be sent to Cost Centre Managers by Accountancy

Note: HRA Items shown as shaded lines.

Appendix B

Changes to the Budget and Policy Framework Procedure Rules

Present Section 3:

3. Process for developing the budgetary framework

3.1 The Leader will publicise by including in the forward plan or by other methods a timetable for making proposals to the Council for the adoption of its budget. The Leader will, in a similar manner, publicise arrangements for consultation regarding the preparation of those proposals. Scrutiny Committees will also be notified and may suggest additional or alternative arrangements for consultation.

3.2 As part of Rule 3.1 the Leader will issue a “Medium Term Strategy” setting out the financial context in which the budget will be made, issues which are or will be facing the Council, policy priorities and an indication of the approach which the Executive is minded to take in respect of preparing budget proposals for the Council.

3.3 The Medium Term Strategy shall be considered by the Council’s Scrutiny Committees, which may submit views on the Strategy to the Leader.

3.4 Once Scrutiny Committees have had opportunity to consider the Medium Term Strategy, the Leader shall prepare a document setting out “Draft Budget and Service Plans”.

3.5 In preparing the Draft Budget and Service Plans, the Leader shall have regard to formal written advice from the Council’s chief officers on budgetary issues affecting their services and from the Director of Resources on the Council’s overall financial position and other budgetary issues.

3.6 The Draft Budget and Service Plans shall be considered formally by Scrutiny Committees and the formal written advice provided under Rule 3.5 shall be made available to them. However, Scrutiny Committees are not obliged to consider Part 1 of service plans, which look at performance in the current and previous years. Scrutiny Committees will be invited to identify those Part 1 service plans which they wish to scrutinise.

3.7 The Executive shall meet collectively to consider the response of Scrutiny Committees to the Draft Budget and Service Plans and shall prepare budget proposals for submission to the Council.

Proposed Section 3

3. Process for developing the General Fund budgetary framework

Mid-Year Financial Review

3.1 The section 151 Officer will prepare a Mid-Year Financial Review for consideration by the Council in its autumn cycle. The purpose of the Mid-Year Financial Review will be:

- a) To consider the implications of year-end actuals on both revenue and capital expenditure going forward and level of reserves
- b) To consider any implications from the Council's Annual Statement
- c) To reflect any changes from Government's Budget and Spending Review Announcements
- d) To test underlying assumptions about net spending, inflation and interest rates, etc in the light of latest information and conditions
- e) To review forecasts on retained business rate and Council Tax in light of actual growth and latest projections
- f) To consider what impact all of the above have on reserves and future savings targets.

3.2 The Mid-Year Financial Review will be reported to the Strategy and Resources Committee for scrutiny and to the Leader for recommendation to the Council.

Budget Setting – Scrutiny of Budget Proposals and Executive Recommendation

3.3 During the Committee cycle leading up to budget setting, each Scrutiny Committee will receive a short report focused on the revenue and capital budget proposals (bids and savings) relating to relevant Portfolios with Strategy & Resources Scrutiny Committee meeting to take an overview, as well as considering budget proposals within its remit.

3.4 The Executive shall meet collectively to recommend budget proposals for submission to the Council.

3.5 Once the Executive has met in accordance with Paragraph 3.4, it shall publish its budget recommendations to the Council.

Submission of Budget Amendments

3.6 Following publication of budget recommendations under Paragraph 3.5, there will be a period of five full working days during which amendments or alternatives (referred to here collectively as “amendments”) to the budget recommendations may be proposed. Amendments shall be in writing and must be delivered to the Chief Executive within the period mentioned above. Amendments need not be seconded. Subject to the exceptions set out in this s, amendments received outside this period will be invalid.

3.7 Valid amendments submitted under Paragraph 3.6 shall be considered at a special meeting of the Strategy & Resources Scrutiny Committee. The Strategy & Resources Scrutiny Committee may comment on these amendments and the comments of the Committee will be submitted to the Budget Council Meeting for consideration.

3.8 The Executive may amend its budget recommendations in the light of the Strategy & Resources Scrutiny Committee’s consideration of amendments.

Budget Council Meeting: Restriction of Amendments

3.9. Subject to the provisions contained in this paragraph, only amendments submitted in accordance with Paragraph 3.6 shall be considered at the Budget Council Meeting. The exceptions to this rule are as follows:

- a) The Executive may introduce amendments at the Council meeting or give advance notice of revised recommendations. This might be necessary, for instance, in response to changed circumstances, or in the light of scrutiny of amendments or to correct technical errors. The Leader must explain why it has proved necessary to introduce any amendment. This is to be done at the beginning of the budget item.
- b) The Executive may make changes to the budget recommendations to give effect to decisions by precepting authorities.
- c) Further amendments may be moved by any member in direct response to amendments made by the Executive at the meeting.
- d) Technical amendments may be made by leaders of minority groups or proposers of amendments to correct arithmetical or factual errors.

- e) The Mayor shall have discretion to permit amendments from members when satisfied that the need for the amendment could not have been anticipated before the deadline. The Mayor should also be satisfied that advance notice of such amendments was given as soon as reasonably practical, and not left to the day of the meeting unless this was unavoidable.
- f) Members may submit revised amendments where the Mayor is satisfied that the substantive issues have been considered at the special Scrutiny Committee meeting.
- g) The Executive may amend its budget recommendations in the light of amendments moved at the Strategy & Resources Scrutiny meeting or at the Council meeting.
- h) If the Executive fails to secure Council adoption of its budget, further amendments may be moved, and these rules will not apply;
- i) The Council may, by a simple majority, suspend these rules and permit further amendments.

Budget Council Meeting: Rules of Debate

3.10 The rules of debate contained in the Council Procedure Rules shall be modified in respect of the Budget Council Meeting as follows:

- a) The Executive shall present its budget recommendations. A period of 45 minutes is allowed for this, extendable at the discretion of the Mayor. The format and mode of the presentation is for the Executive to decide.
- b) Minority groups may then present alternative budgets, subject to compliance with the provisions of these Rules. A period of 45 minutes is allowed for each alternative budget, extendable at the discretion of the Mayor. The format and mode of the presentation is for the minority group to decide.
- c) Alternative budgets will then be moved in turn as amendments to replace the Executive recommendation. They will be debated in the usual way, although replacement budgets will be deemed to have been moved and seconded.
- d) At the conclusion of each debate, a vote will be taken for and against the alternative budget.

- e) If the alternative budget is voted down, the Leader of the proposing Group may ask for separate votes to be taken on individual proposals within the alternative budget, but there shall be no further debate.
- f) Where individual amendments have been submitted by councillors, these will then be debated in the usual way. However, where they are to the same effect as something in an alternative budget, they shall be considered at the same time as the alternative budget, with the proposer being able to ask for a separate vote in accordance with paragraph e).
- g) After consideration of amendments the Executive's budget proposals will be debated in the usual way but, subject to paragraph h) below, no amendments may be moved.
- h) If the Executive's budget is rejected, amendments and alternative proposals may be made as under the present rules, subject to the dispute resolution provisions set out in Section 4 of the Budget and Policy Framework Procedure Rules.