

# Independent Review of the Budget Setting Process and Wider Governance Issues

**To:**

Councillor Mike Davey, Executive Councillor for Finance, Resources and Transformation

Strategy & Resources Scrutiny Committee [11/07/2022]

**Report by:**

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**Wards affected:**

All

## Key Decision

### 1. Executive Summary

- 1.1. An independent review, attached at Appendix 1, has been commissioned assessing the Council's budget policy framework and process. This builds on wider work the Council is developing to enable and support its transformation journey. This report considers the review's recommendations for changes to current arrangements.
- 1.2. The review makes ten wide-ranging recommendations, covering political management arrangements, member training and development, as well as specific recommendations relating to the budget process and timetable. Whilst some recommendations can be implemented immediately, others require changes to the council's constitution and further consideration of their wider impacts.

### 2. Recommendations

- 2.1. The Executive Councillor is recommended to:

- 1.1. Note the recommendations in Section 10 of the review report attached at Appendix 1.
- 1.2. Agree to transition to the new budget process this year, with further changes being brought in next year, both subject to constitutional change.
- 1.3. Ask officers to draft proposals for changes to the council's constitution arising from the review of the budget setting process, to be brought forward for approval by Civic Affairs and Full Council.
- 1.4. Ask officers to work with the Leader/Executive to develop a broader consultative process, with input from opposition Group Leaders, to consider how to take forward the recommendations of the Independent Remuneration Panel and Council-commissioned analysis of its decision making, and democratic processes undertaken by Centre for Governance and Scrutiny (CfGS).

### **3. Background**

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The council has followed the current budget setting process for a number of years. However, the financial context for the council has tightened markedly in that time. Increased service demands, from growth, socio-economic change and increases in complexity, combined with reduced funding from central government and the impacts of Brexit and COVID-19 have given rise to substantial pressures on council budgets.

3.2. To address these pressures, the council has embarked on a fundamental transformation programme, 'Our Cambridge' to modernise the council. This whole council change programme seeks to reshape and redesign our Council to build a better, more outcome focused, more sustainable organisation that has a deeper, and more integrated relationship with our communities and partners. As part of that programme the Council commissioned an initial analysis of its governance model, and a review of its budget setting process, both which have remained largely unchanged for 20 years. The resulting report on the budget setting process is attached at Appendix 1.

3.3. Section 10 of the review report makes a number of recommendations, as set out in the table below. These have been broadly categorised into those that require changes to the council's constitution, those that impact on the budget setting timetable, and those that are wider, or more general in nature.

	<b>Recommendation</b>	<b>Type</b>
1	The council should consider moving to a more typical budget setting process as outlined in section 6 of this report. The process will need to be adapted to the context in Cambridge.	Constitution, Timetable
2	The council should review whether its current political management arrangements are appropriate, in the context of the challenges ahead and the CfGS report.	General
3	There is a need to clarify through training and informal dialogue the respective roles of government, members and officers.	General
4	To help provide a wider context for members, they should be supported and encouraged to engage in the wider sector fully. For example: <ul style="list-style-type: none"> <li>• Attend National Conferences (LGA, CIPFA DCN etc)</li> <li>• A follow up LGA Peer Review (last was 5 years ago, one is due)</li> <li>• Make use of the <a href="#">LGA Leadership Essentials Programme</a></li> <li>• Make use of LGA Peer Member support</li> <li>• Consider a bespoke leadership programme for members and senior managers</li> </ul>	General
5	Review and simplify the scheme of delegation and rules for virement and consider whether the delegations/virement limits can be increased.	Constitution
6	Produce a short easy to use summary for budget holders on the delegation and virement rules and processes.	Other
7	Review the timeline and processes for producing reports to formal member meetings with a view to reducing the time taken as far as is practicable – from 31 days to sector average of 21.	Timetable
8	Officer input into opposition budget amendments should be limited to a high level assessment of feasibility, lawfulness and accuracy of financial implications.	Timetable
9	Review the budget bid process in budget setting, to either exclude bids not generated by the ruling group as policy priorities and/or to set a minimum value for bids.	Other
10	Develop an annual communications strategy to underpin the budget setting process.	Other

3.4. The more typical council budget process outlined in Section 6 of the review report suggests the following formal meeting process:

- S&R Scrutiny Committee meeting in October – to consider an in-year financial report rather than an updated Medium-Term Financial Strategy (MTFS)
- Executive meeting late November / early December – to approve a draft budget for consultation
- S&R Scrutiny Committee meeting in January – to scrutinise the draft budget
- Executive meeting in February to recommend the final budget, including consultation outcomes, to Council
- Council in February, including the scrutiny and consideration of opposition amendments

- 3.5. The overall process, as proposed, should allow for earlier consideration of the emerging budget, a longer and more comprehensive consultation process and more focused and effective formal budget meetings. It is therefore recommended that further work is done to implement the process for the General Fund (GF) 2023/24 budget. However, the recommendation in relation to replacing the MTFS with an in-year financial report is not supported, although a more focused and shorter document will be produced, as suggested. The current MTFS provides a valuable opportunity to examine the longer-term financial outlook for the council and set the context for budget setting. In-year considerations, such as the current impacts of inflation on budgets, can be included as judged necessary.
- 3.6. The report also recommends that budget setting processes for the GF and Housing Revenue Account (HRA) are amalgamated and that process efficiencies are implemented. As the council's budget setting process and differing governance processes for the GF and HRA are set out within its constitution, this will require changes to that document which must be approved by Civic Affairs and Full Council.
- 3.7. As these changes are complex and interrelated, it is recommended that a two-stage process is followed, with changes to the overall process most relevant for the GF to be addressed first, so that they can be implemented for the 2023/24 budget setting process. Therefore, officers are asked to work up proposals for constitutional change to be brought to Civic Affairs and Full Council for approval in the autumn. It is suggested that this work is informed by a cross-party working group of members convened for this purpose.
- 3.8. The bringing together of GF and HRA processes is likely to require more fundamental change and should therefore be undertaken as the second phase of the work. Other recommendations relate to political management arrangements, the roles of government, members and officers, and support and training for members. These recommendations are broadly in line with the Centre for Governance and Scrutiny (CfGS) and Independent Remuneration Panel (IRP) reports, which will need to be considered in the round through a broader consultative process with Members.

## **4. Implications**

### **a) Financial Implications**

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Changes to budget setting processes are expected to make the process more focused and efficient and to support the transformation and financial sustainability of the council.

### **b) Staffing Implications**

None

### **c) Equality and Poverty Implications**

No, this report recommends that more work is done to develop proposals for change. Equality and poverty implications will be assessed, if required, when future proposals are brought forward.

### **d) Net Zero Carbon, Climate Change and Environmental Implications**

None.

### **e) Procurement Implications**

None.

### **f) Community Safety Implications**

None.

## **5. Consultation and communication considerations**

Appendix 1 makes specific recommendations in relation to budget consultation, which will inform future work.

## **6. Background papers**

No background papers were used in the preparation of this report.

## **7. Appendices**

### **Appendix 1 – Review of the Budget Setting Process at Cambridge City Council**

## **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Caroline Ryba, Head of Finance, tel: 01223 - 458134, email: [caroline.ryba@cambridge.gov.uk](mailto:caroline.ryba@cambridge.gov.uk).