



Review of the Budget Setting Process for Cambridge City Council

MAY 2022

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1. **Scope of this report.**

- 1.1 This report has been commissioned by Cambridge City Council to the brief attached as Appendix A.
- 1.2 I am an independent consultant specialising in Local Government Finance. I have been CIPFA qualified since 1990 and am a Fellow of CIPFA. I have 32 years' experience as a local government officer, 10 of them as Director of Finance/Resources. For the last five years I have worked as an independent consultant, with clients including CIPFA, DfE and the LGA, as well as over 80 individual Councils, and am a member of the audit committee for a number of statutory bodies.
- 1.3 The report has been based on a desktop review of documents provided by Cambridge City Council or available to the public, and discussions over Microsoft Teams with a range of Members and senior officers at the Council. Its findings are necessarily limited by this process. Some of the views and opinions expressed are subjective but based on wide experience working in the sector.
- 1.4 The report should be read in conjunction with the recent report (February 2022) produced by the Centre for Governance and Scrutiny (CfGS) entitled **Culture, behaviours and governance assessment: Cambridge City Council**. Many of the themes and issues in that report are mirrored here.

2. Financial Context.

2.1 It is important to put this report in the context of the point in time at which it is written:

- The UK is still emerging from the grip of a pandemic that is creating unprecedented pressures and uncertainty
- The Russian invasion of Ukraine could have a variety of implications for Councils as the picture develops
- The legacy of Covid on the economy, society and the spending and income for Councils remains unknown and impossible to predict accurately.
- The impact of Brexit is still unfolding, and is inextricably linked to the impact of Covid
- Even without Covid, Local Government Finance is in a period of huge uncertainty, facing significant possible reform of the overall system that was put on hold firstly because of Brexit and then again as a consequence of the pandemic. The 2022/23 Settlement saw further delay, and the Settlement was again for one year only. This makes planning and the evaluation of a Council's position extremely difficult

2.2 The position for Cambridge City Council is a moving target in a context of unprecedented change and uncertainty. Against this backdrop, the Council's Medium Term Financial Plan can be summarised in the following Table from the February 2022 Budget Setting Report:

<u>Savings in MTFS per BSR £000s</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>
Current Savings Requirments	5,565	229	604	655

2.3 Given the dearth of any other information, the Council is assuming, based on speculation in the sector and briefing from government officials, that there is a full Business rate reset in 2023, and that it fares badly from the review of the Fair Funding Formula that distributes grant to Councils. It also assumes any future business rate growth, because it is uncertain, is added to reserves. All other grants (New Homes Bonus, Lower Tier Services Grant, 2022/23 Services Grant) are assumed to cease in 2023/24 and no transitional protection is assumed.

2.4 This produces the cliff edge effect in the Table above, with a £5.565m gap in 2023/24 and smaller gaps in subsequent years, rising to a cumulative need to identify annual savings of £7.053m by 2026/27. By that year, with no action the gap would be c35% of net service budgets. This is a significant problem and needs to be addressed.

2.5 The Council has a predicted cushion of General Fund reserves totalling £20m by the start of 2023/24. However, given the size of gap, these reserves only buy a short period of time to take action. They are not a protection against the need to identify savings and efficiencies.

2.6 **Against the context outlined above this report make observations on the current budget setting process in Cambridge, and recommendations for change.**

3. The Cultural Context for financial planning in Cambridge City Council.

3.1 During the course of discussions, a number of key issues of organisational culture emerged which form a key backcloth for this report.

- Officers and Members overwhelmingly came across as extremely friendly, and personable
- Committed and care deeply about Cambridge, inequality, wellbeing and prosperity or residents. and there is a vision for the City
- Possibly based on this there is a real sense that the Council is introspective, and in some ways sees itself as special and unique. Colleagues talked about “the Cambridge Way.”
- My sense is that this introspection is partly built on political isolation – even if subconsciously. Cambridge is not surrounded by other similar Labour controlled District Councils with whom to compare and contrast approaches.
- The sense of difference is also reflected in the Council’s highly unusual governance arrangements – a system of Executive Lead Members is operated rather than the much more usual Leader/Cabinet or Committee models.
- There is strong mutual respect between political groups and a mutual commitment to ensure that the Opposition is given a strong voice. While this is laudable, in the wider context in Cambridge it leads to a commitment to current processes and arrangements.
- Based on my conversations there appears to be little major difference in political priorities between the two main parties
- Despite the identification of a medium-term gap going forward, the Council has been in a strong financial position due to the high level of level of reserves. Cambridge has been a beneficiary of Government policy on rates retention and New Home Bonus. The Council has not had to make the challenging political decisions that have been needed in many other authorities to balance the books. While Members are aware that there is a problem ahead, it is not clear that the full implications are clear to them all.
- The Transformation Programme is a practical example of this. Many Members and Officers see this as a key tool for the future but the details of what this may mean in practice have not been worked through partly because plans are still being developed. However, it is clear that the current high levels of expenditure relative to other City/Districts cannot be sustained.
- Financial planning is not strategic. The S151 officer’s Section 25 report in the 2022/23 BSR highlighted “*complex and time-consuming decision-making*”

mechanisms that are not well equipped to manage complex and cross-cutting financial and organisational issues.....[which] present a risk to delivery of savings”.

- Reviewing some of the Bids and Capital programme lines in the 2022/23 Budget Report, there are a lot of “nice to haves” of the kind that have not been possible in other Councils for many years, and are in contrast to the financial gap ahead.

3.2 Few of these issues are entirely unique to Cambridge but in this strength and combination they indicate that a strong change in corporate culture and processes will be needed to manage the challenges ahead.

4. Budget Setting Process in Cambridge City Council

4.1 The current budget setting process in Cambridge is summarised in the following Table:

Key dates and decision points are set out below.

Date	Task
2021	
11 October	Strategy & Resources Scrutiny Committee consider the GF MTFS for recommendation to Council by the Leader
21 October	Council considers both GF and HRA MTFS reports
2022	
4 January	Budget Setting Report (BSR) published
7 February	BSR and any budget amendment proposal considered by Strategy & Resources Scrutiny Committee
7 February	The Executive consider and recommend the BSR and Council Tax level to Council
24 February	Council approves Budget Setting Report and sets the level of Council Tax for 2022/23

- 4.2 Behind this process lies a myriad of briefing to Executive Leads and a mixture of amassing technical changes and bids and other political issues to feed into discussions. These extend for the Summer through much of the year.
- 4.3 The process specifically allows significant opportunity for Opposition Budget Amendments at both the February Strategy and Resources (S&R) Meeting and the subsequent full Council budget meeting. The S&R Committee is in effect a Scrutiny meeting that includes the Executive Leads. In practice, the Opposition are briefed on the budget papers immediately after publication in December (HRA) and early January (General Fund), which feeds a large amount work into the amendment process over the Christmas, New Year and January periods. This involves not only finance staff but a range of other senior managers and officers depending on the issues under discussion.
- 4.4 Opposition budget amendments are a key feature of Council process in almost all Councils and reflect the democratic nature of local government. However, I have not seen processes that lead to such a volume of work or that promotes, almost insists on, Opposition budget amendments in quite this manner. Usually when amendments are time consuming it is because there is no overall control in a Council and the amendments underpin a deal to get the budget agreed.
- 4.5 A recent example of an amendment discussion in Cambridge was the opposition budget for the 2022/23 HRA budget, which was not accepted. It required officers to undertake a significant amount of modelling to estimate the impact of policy changes. These minor

amendments would have increased spending by c. £77k, or 1/10th of 1% over two years against a total HRA budgeted expenditure in that period of over £63m.

- 4.6 No significant examples could be provided to me where the current process of amendments had led to significantly different outcomes. The examples that were provided relate mostly to the HRA.
- 4.7 In most Councils, the normal process in the Constitution for dealing with amendments is followed at budget setting, at the final Council meeting. Opposition amendments are often tabled in advance and/or run past officers. Such a check would normally be light touch and to establish the lawfulness, practicality and summary financial implications of the proposed amendment, to ensure it is not entirely spurious. This work would normally be coordinated by the Democratic Services Team with input from Finance if needed
- 4.8 Perhaps the most surprising issue emerging is the contrasting view of the process between Members and Officers. Reflecting many of the cultural issues outlined in section 3 above, Members I spoke to broadly like the current processes. It is familiar and accords with their values and the mutual respect between political groups. There is almost an element of agreed ritual about the current approach.
- 4.9 Officers on the other hand universally dislike the process, which they see a highly time consuming, and a diversion of effort away from real priorities, with little tangible outcome as a result.
- 4.10 Officers often find political processes frustrating. There was also in one or two cases an element of naivety from senior officers about the important role Members play in governance and decision making. Nevertheless, I have rarely seen this level of dissatisfaction in a budget setting processes.
- 4.11 One specific issue that emerged is the timescale for moving Executive Lead reports through the governance process to the decision at the final meeting. This is a frequent issue in Councils.
- 4.12 Many officers were unclear about the processes and rules for delegations and virements (although these are in the constitution). There was a feeling that making any change to budgets always involved a long and frustrating political process and was almost too hard to consider. This needs to be addressed, even if it is about perception rather than the rules.
- 4.13 Many officers and some Members feel the budget process focus on small issues at the margin of the budget that are the topic of political debate at budget setting, or the subject of small bids brought forward often by Members. This is a frequent feature across Councils. Most people I spoke to want to make the process more strategic but do not have a clear view on how to achieve that.

- 4.14 **Collective decision making** by the ruling Group is essential to any strategic and well-coordinated budget process in any Council. Members of the ruling Group that I spoke to feel that they have this through political decision making at Group meetings. However, many others I spoke to feel this is lacking, and that the current model leads to issue based rather strategic financial planning. The structure of Executive Lead members rather than a Cabinet/Leader model creates at least an external impression of fragmented decision making.
- 4.15 I was surprised by the approach to **Public Consultation**. There are meetings with Business ratepayers and community groups, but these take place in the Autumn before the budget proposals are published in January and are about the general principles rather than the proposals. The majority of Councils will consult on draft budget proposal as well as principles, partly to comply with legal requirements, partly as best practice and partly as a basis for resisting any future legal challenge to specific proposals on the basis of poor or inadequate consultation. Cambridge has in the past relied on specific consultations on specific proposals outside of the budget setting process. This reflects the fact that it has not had to make large scale difficult decisions. There is a strong case for reviewing the approach to public consultation on the budget given the financial gap faced and the scale of changes that will be required.
- 4.16 I would expect the budget proposal to be subject to **Scrutiny**. This would normally be at a Scrutiny meeting during the consultation phase on the draft budget, and comments and views from the discussion would be fed into the Executive when deciding the final budget to recommend to Council. Separate scrutiny of the final budget is not strictly needed as it will go to full Council where all Members get an opportunity to speak and to vote on proposals.
- 4.17 There is a dichotomy between views and processes on the **HRA and the General Fund**. There was significantly less dissatisfaction from all sides on the HRA. The budget setting/rent setting process in the HRA is separate and parallel to that of the General Fund. The final decisions on revenue budgets and rents is taken by the Executive Councillor for Housing in January, and not by full Council. This is unusual. The normal process is for the HRA and General Fund budgets to be agreed at the same Council meeting either in the same report or in a suite of financial reports on the same agenda. The rationale for this is that the rent increase needs to be agreed before the end of January to allow rent increase notification to be sent out to tenants with the statutory notice. This is not an issue in other authorities and may be an issue related to the complexity of rent and service charges or Cambridge's IT systems. If so this may be capable of change. My advice would be to move to the more standard approach of a single report or suite of reports so that the Members can get a holistic view of Council finances.

HRA Budget Setting Process.

Key Dates

The key member decision-making dates were / are as follows:

Date	Task
2021	
23 September	The Executive Councillor for Housing considered HRA Medium Term Financial Strategy, incorporated Housing Scrutiny Committee, including Tenant and Leaseholder Representative views, and approved revenue aspects, making recommendations to Council in respect of the capital plan.
21 October	Council approved HRA Medium Term Financial Strategy 2021/22
2022	
20 January	Executive Councillor for Housing considers Housing Scrutiny Committee views, before approving HRA revenue budgets and rent levels, and making recommendations to Council in respect of the capital aspects of the HRA Budget Setting Report
24 February	Council approves HRA Budget Setting Report

4.18 The process for agreeing the **Medium Term Financial Strategy (MTFS)** in Cambridge does not follow that most usually seen in other Councils. The MTFS is agreed in October in advance of the budget setting process. As outlined above, most Councils now have a single suite of financial reports in the February cycle including Budget, MTFS, Capital Strategy, Treasury Management Strategy and Pay Policy. The reason for this is that until the provisional Local Government Settlement is available in December it is hard to update the MTFS with any precision, even for the following year. By February, this information is available and a more accurate strategy and context for the detailed budget reports can be produced. Moving to a single suite of reports in February would also remove significant duplication, and free up officer time. I would still expect briefings to Members in the Autumn, and for the draft budget report to include an updated MTFS at a high level of summary.

5. Principles for Change

5. Sections 3 and 4 above outline that the structures and processes currently used for budget setting in Cambridge are in many respects untypical of what is normally seen across the sector. Processes elsewhere have been developed to manage financial challenges of the kind that will come to Cambridge, albeit sometime later than in many other authorities. The current processes are time consuming, focus too much on fine detail but have become embedded in the Council's culture. There is a significant risk that the current processes and the underpinning culture will not be able to bear the strain of the challenges that lie ahead.

5.1 In proposing some alternative processes, it is important to set out some principles for change:

- Start early – as soon after the new Municipal year as is practically possible, and certainly before the Summer break.
- Be clear on what the political priorities are AND are not.
- It's always all about setting the context: political, financial, economic, environmental.
- Be clear about managing expectations. Cambridge has some ability to be different but in a heavily centralised system of local government this is limited.
- Budget setting is a key collective responsibility for the ruling group and must be managed like that
- Where possible adopt common process for HRA and General Fund – coordinate decision making on the Council agenda e.g. as seen at Cheltenham District Council.
- The processes should be tailored to deliver the outcome i.e. a balanced budget and MTFs over the plan period.
- Political challenge and scrutiny are a required part of the process
- The Budget report is made to the Executive by the S151 Officer and those recommendations are forwarded to Council. The process relies on the Section 151 Officer's professional judgement in the Section 25 Report.

6. **A Proposed New process.**

There is no prescribed process for budget setting in local authorities and practice varies across the country. The proposed process outlined below is a tailoring of a typical Council process to the context in Cambridge.

6.1 **The summer months** (June, July, August)

- Take the previous year outturn to Council or a meeting of the Executive as soon as is possible in the new Municipal Year.
- Late June/early July: Hold policy and finance seminar(s) for ruling group to brief them on the outturn and financial context.
- Seek any amendments to the Corporate Strategy and get a clear view of political priorities.
- Agree the budget setting timeline for the year, with key deadlines
- The MTFS exists already from last year. The outturn can build on it and update it.
- Outline likely financial parameters in future
- Discuss and agree draft strategic policy priorities. Be clear that bids not in line with priorities must either not be accepted or must attract lower priority.
- Identify those areas that are *not* priorities
- Run a similar session for Opposition groups on context

6.2 **The Autumn** (October, November, December)

- October /November – consider a half year report budget/capital monitoring. Agree any amendments to budget. Ideally full half year figures can be available for this.
- Do not take the MTFS and other reports at this stage.
- From Sept – Mid Nov run the process agreed in the Summer for officers to identify possible savings based on the political steer in the Summer. This would be informed by the emerging outcomes from Transformation Programme.
- Have a clear process, with a cut-off date.
- Implement a minimum bid value for bids, for example £50k, and consider eliminating technical updates to the budget or specific agreed priorities from the process.
- Agree a draft budget with ruling group.
- Late Nov/Early Dec – take a report to Executive outlining the draft budget for consultation (including public consultation). This will require a new meeting of the Executive.
- Agree a consultation process - 4 week minimum
- If possible, time this for after draft Financial Settlement (this was 16th December in 2021)

- The Draft Budget Report can go to S&R as required during consultation period as part of the consultation process

6.3 Winter (January, February)

- Pull together feedback from consultation, S&R meeting, the Local Government Settlement, any other relevant developments
- Agree final budget report with ruling group, along with MTFs, Capital Strategy, TMS, Pay Policy
- Take final proposals to meeting of Exec (Not S&R) in February
- The Executive recommends the suite of financial reports from the S151 Officer to Council later in February
- The scrutiny of the final budget happens primarily in the Council meeting, including ability to propose amendments.
- Do you need another S&R or other scrutiny arrangements?

6.4 The detailed dates will vary with the calendar from year to year, but this is a broadly typical process. As an example, the following is the timetable for Teignbridge District Council in Devon and follows broadly the pattern proposed.

Example of a typical District Council process (Teignbridge DC, Devon)

Budget timetable 2022/23

	October	November	December	January	February
Government (Chancellor) Autumn Spending Round Statement	27th				
Provisional local government settlement			16th		
Town/parish initial budget/precept meeting			16th		
Executive papers sent out - initial budget proposals			17th		
Start of formal six weeks consultation period			16th		
Budget survey emailed to businesses			16th		
Executive - agree initial financial plan proposals including council tax base				4th	
Overview & Scrutiny 1 & 2 - consider Executive's financial plan				10th/11th	
Council - approve council tax base				13th	
Town/parish follow up budget/precept meeting				20th	
Final settlement expected				31st	
Deadline for business rates retention estimate to government, county and fire				31st	
Police and Crime Panel consider precept and approve				28th	
Overview & Scrutiny 1 & 2 - consider Executive's final financial proposals					1st/2nd
Executive - agree final financial plan proposals, including budget monitoring					8th
County Cabinet 10.30am budget meeting					11th
Devon County Council 2.15pm - set county precept and council tax					17th
Fire Authority - set fire precept and council tax					18th
Council meeting - consider financial proposals and council tax resolution					22nd
Reserve county budget meeting 10am if required					22nd
Close council tax accounts and start bills print unless delayed if council tax not set					24th
Reserve Council budget meeting if required					24th

Appendix 1

6.5 A switch to this timetable would require a change in culture and practice, so that the budget process is designed for form to follow function and to reflect the current financial context. In particular, a key issue is having additional Executive Meetings in the Summer and Autumn and ending the joint S&R/executive meeting in February. The proposed process might imply

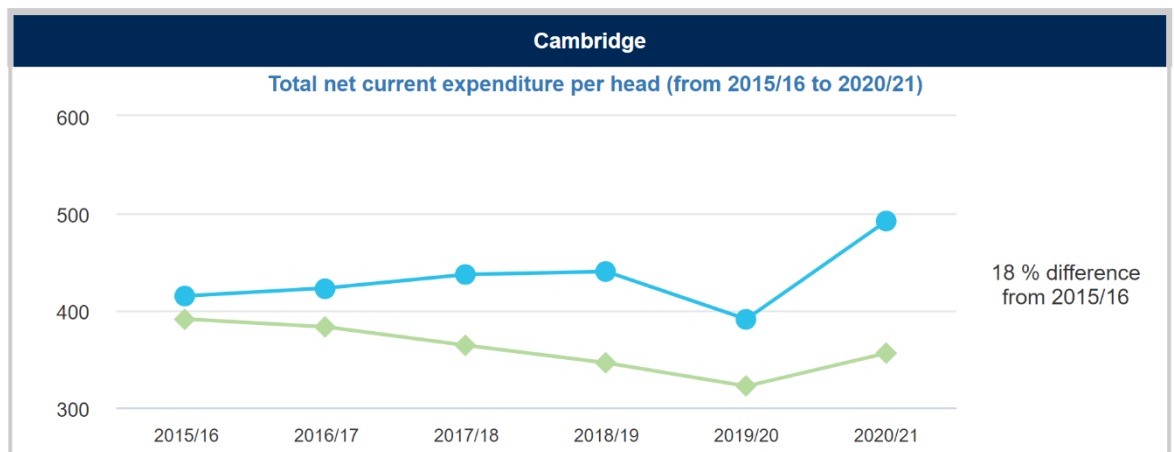
changes to the Constitution which will need to be reviewed in the light of any changes that are decided upon.

- 6.6 It should be noted that the constitution currently provides for meetings of the Executive called by the Leader to consider the budget, cross cutting issues and other matters, and in previous years the Executive has met more than once. However, this change would mean a departure from current practice. Building on the report from CfGS referred to in section 1 above, the Council may consider it an opportune time to review and change its overall governance arrangements anyway.
- 6.6 Amalgamating the HRA and General Fund processes, if they are practically possible, will require constitutional change.

7. Zero Based Budgeting.

- 7.1 The brief for this report (See Appendix One) refers specifically to the potential use of Zero Based Budgeting (ZBB), and the topic came up in a number of discussions with Members.
- 7.2 ZBB tends to work best in small organisations, or organisations with a limited number of functions. I have not seen a total ZBB process work in a local authority, where the range of functions, size, complex statutory and regulatory framework and overhead structures are problematic for the approach.
- 7.3 On a practical note, to start with a blank piece of paper and workup until the minimum budget needed presupposes that it is possible to know what that is. Many Council functions are statutory, but the level of service is unspecified e.g. refuse collection. Embarking on a full scale ZBB exercise would run a significant risk of not bringing any outcome and absorbing a very large volume of time and resources. It would probably need to be run as a programme over a number of years.
- 7.4 There are more practical alternatives which may help Members and officers to get to key decisions about spending more effectively.
- a) As the Transformation Programme progresses it is likely to ask some of the same questions – how can this be done more cost effectively and/or differently? Given that the Transformation Programme is already in action, overlaying ZBB would be complex, time consuming and diversionary.
 - b) I am aware that the Council is embarking on a detailed benchmarking exercise, comparing spend levels with other similar authorities. I have seen this and similar processes used to good effect elsewhere and in my experience this is far more likely to focus in on some key questions about spending levels than a ZBB exercise.

For example, the graph below using LGA benchmarking data shows that Cambridge's total net current expenditure per head (blue line) has been consistently above the average for all English District Councils (green line). Digging down into this data and refining comparisons will lead to some questions about how this breaks down in more detail and can refine comparison to specific Councils e.g. statistical neighbours.



- c) The Grant Thornton CFO insights tool, based on similar outturn data as the LGA tool, illustrates that Cambridge has the highest level of spend per capita of all Cambridgeshire districts, though as a City-district it is likely to have a wider number of functions. However, Cambridge also ranks 4th out of 180 English districts for the highest amount of per capita spending. Expanding on this using the CFO tool will allow officers to compare spending against specific expenditure headings cost centre reported to DLUHC by all councils to identify those service areas in Cambridge that are significantly above or below mean levels of spend in comparable authorities.

Total net expenditure (RO) £/head (2020/21) – Cambridgeshire City/Districts

1	Cambridge	304.81
2	East Cambridgeshire	165.14
3	Fenland	162.52
4	South Cambridgeshire	153.79
5	Huntingdonshire	134.02

Total net expenditure (RO) £/head (2020/21) – all English districts

1	Richmondshire	826.01
2	Stevenage	384.92
3	Guildford	379.90
4	Cambridge	304.81
5	Mole Valley	284.01
6	Maldon	266.83
7	Epping Forest	264.22
8	Colchester	264.15
9	Watford	250.42
10	Preston	247.23

- d) Some authorities have attempted to probe spending by an analysis that strips out statutory and non-statutory spending. As with ZBB there are difficulties in identifying what the minimum level of spend is on some services to meet statutory requirements, so this approach is complex. It should however be possible to identify spending areas that are entirely discretionary and therefore can be addressed entirely as a matter of local policy.

8. Other Observations.

- 8.1 Picking up the point on **virements and delegations** in 4.10 above on delegations and virements, the level of officer decision making in Cambridge is broadly £25,000 and set in the Constitution. This is another issue which varied widely between authorities and where there is no national standard, and of course there does need to be an appropriate control and recording of all virements to maintain good budgetary control.
- 8.2. In my experiences £25,000 is at the very low end of the range of virement authorisation that I would expect, even in a small District Council. For example, in North Lincolnshire the comparable figure is £50k. Oxford City Council, which is of comparable size, has delegations up to £0.5m for spending and up to £1m for contractual awards, and up to £0.25m between cost centres. My sense in Cambridge is that it is the perceived bureaucracy surrounding the approval as much as the approval limit that is an issue. A full review of the level and process for virements and delegations would be worthwhile. I would advocate the production of a simple easy to understand 1 page guide for all budget holders outlining the values and rules, keeping it as simple as possible.
- 8.3 Section 4.9 above refers to the **time taken to process reports** to Executive Leads and Council. There is no overarching policy in Cambridge on this, other than the publication of final reports with 7 days notice to meet the statutory requirement. Practice is summarised in the following example:

Timetable for Strategy and Resources 10/10/22

- Draft report 9/9/22
- Final report 23/9/22 (14 days)
- Publication 28/9/22 (5 days)
- Meeting date 10/10/22 (12 days)

TOTAL 31 days

- 8.4 By the nature of the process, local authority reports are slow to produce, and the timescale above may be further complicated by the need for informal political approval at various stages. Having said that the time taken is excessive and reflects what I would have expected to see 20 years ago. 21 days as opposed to 31 is far more typical. This matter is largely one that can be controlled by tightening the rules and insisting on compliance at least at officer level. Such an approach is often used as part of culture change in Councils – to deliver paradigm shift from traditional patterns of working that have been hated but not challenged.
- 8.5 Technology is also a key enabler, using a system that holds a single master copy of a report that all relevant officers can access and update should significantly streamline process, compared to the traditional method of emailing drafts and collating comments manually.

8.6 **The Transformation Programme.** Given the issues facing Cambridge Council, a Transformation Programme is a sensible way forward. It does however carry with it the following concerns and risks.

- The implementation plan will not fit easily into your existing budget process. In particular, detailed planned savings to balance the entire deficit are unlikely to be ready for the 2023/24 budget round, which may mean using reserves to balance the budget, and will make the process harder to manage.
- The overall scale of eventual savings remains unclear and may change depending upon government policy around fair funding and business rates.
- The proposals will challenge the long established pattern of structure and service delivery and may well meet resistance from Members and some officers. There is a long record of Transformation Programmes in Councils that have failed to gain traction and have been abandoned. This must be avoided.

8.7 Overall the Council has a lot of eggs in this basket. As a result, the budget process should be redesigned as a means to enable sound, evidence based financial decisions to be taken based on public consultation and scrutiny that is proportionate and appropriate.

8.8 **Communications Strategy.** An essential element of underpinning major change and savings proposals is a strong, clear communications narrative. This should be led by members and senior officers and used with stakeholders including Councillors, staff, Unions, the public, suppliers, partners etc. The Council should review its current approach and consider options for stepping this up. In particular, I would expect to see a range of internal communications, press releases and stakeholder briefings developed to accompany publication of both the draft budget and the final budget.

9. **Conclusions.**

- 9.1 Cambridge has unusual and highly time consuming processes for budget setting. They are not sufficiently strategic, and there is a strong risk that they will not be sufficiently strong to meet the challenges ahead.
- 9.2 Cambridge has many positives cultures, but it is introspective and needs to develop a wider understanding of what is going on in other Councils and the sector generally, especially at Member Level. This can be achieved by wider engagement and some training. I would suggest the LGA package of support and its 'Leadership Essentials' offer. 'Leadership Essentials' is a series of programmes and workshops' designed as themed learning opportunities for councillors. Each event concentrates on a specific portfolio area or a specific theme. The Finance course is especially good in my experience and should be considered by all members with significant financial responsibilities.
- 9.3 The budget setting process and the political management arrangements are mutually entwined and reflect the culture in the Council. In the light of this report and the parallel report by CfGS, the Council should consider changing its political management arrangements to something that reflect common practice. If it does so it will be in a better position to manage challenging decisions in a co-ordinated way that reflects the best interests of the whole council and the collective responsibility of the Executive for budget setting.
- 9.4 The Council should consider training to clarify the roles of government, Members and officers. Some form of bespoke joint leadership training may be of interest e.g. by www.leadershipcentre.org.uk
- 9.5 An alternative process for Budget setting is outlined in Section 6 of this report. Detailed consideration should be given to moving to a model of this kind, adapted to Cambridge's specific needs.
- 9.6 The Council should review and simplify its levels and processes for delegations and virements.
- 9.7 Officers need to manage the expectations of members on the scale and scope of officer support for Budget amendments.
- 9.8 The annual budget setting process should be underpinned by a strong communications strategy with a clear narrative explaining the need for changes and the proposals being considered and why.
- 9.9 The current process agreeing reports into formal Member meetings is too long and needs to be reviewed and shortened.

10 Recommendations

- 10.1** 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.
- 10.2** The Council should review whether its current political management arrangements are appropriate, in the context of the challenges ahead and the CfGS report.
- 10.3** There is a need to clarify through training and informal dialogue the respective roles of government, Members and officers.
- 10.4** To help provide a wider context for Members, they should be supported and encouraged to engage in the wider sector fully. For example:
- Attend National Conferences (LGA, CIPFA DCN etc)
 - A follow up LGA Peer Review (last was 5 years ago, one is due)
 - Make use of the [LGA Leadership Essentials Programme](#)
 - Make use of LGA Peer Member support
 - Consider a bespoke leadership programme for Members and senior managers
- 10.5** Review and simplify the scheme of delegation and rules for virement and consider whether the delegations/virement limits can be increased.
- 10.6** Produce a short easy to use summary for budget holders on the delegation and virement rules and processes.
- 10.7** 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.
- 10.8** Officer input into Opposition budget amendments should be limited to a high level assessment of feasibility, lawfulness and accuracy of financial implications.
- 10.9** 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.
- 10.10** Develop and annual Communications Strategy to underpin the Budget Setting Process.

APPENDIX A

The Brief

Cambridge City Council Budget Setting Process – Strategic Advice

Context

Cambridge City Council (CCC) has a history of strong financial management, successfully setting a balanced budget year after year, and a relatively strong reserves position (forecast GF balance of £20.0m at 31 March 2022, vs prudent minimum balance of £6.7m). However, in common with most lower tier authorities, recent funding pressures have led to the development of a significant medium-term savings requirement (£7.1m of annual recurring savings required over 5 years, or 29% of the 2022/23 net service budget).

We are in the early stages of a Council-wide transformation programme ('Our Cambridge') – although as a best case this is likely to achieve a maximum 75% of the savings needed. The Council's strong historic financial position means that this level of financial challenge has not been seen before, so there is limited experience internally of some of the difficult spending decisions which may need to be made.

Currently, the annual budget setting process is highly incremental, and focussed on individual bids and savings proposals which are generally small-scale alterations to current service provision. This tends to result in lots of time and effort (both officers' and members') going into working up and debating changes which have little impact on the overall financial position of the Council. Member involvement is focussed towards the end of the process, which can lead to practical difficulties such as last minute proposals and lengthy discussions about wording and presentation.

Once the Budget Setting Report is published officers then devote time to work with opposition groups to develop 'Opposition budget amendments'. These are time consuming and very rarely lead to any substantive change.

In addition, the Council operates a hybrid governance model whereby decisions are owned by individual Executive Councillors rather than the Executive as a whole – this adds to the challenge particularly towards the end of the process.

Outcomes

We are looking to develop a revised budget setting process for the 2023/24 budget which better supports our organisational objectives and transformation programme. In particular, the S151's have some initial thoughts as to what this might look like, as follows:-

- Closer member engagement early in the process, to drive strategy and 'set the tone', e.g. fiscal envelope, priorities and trade offs.
- A process which encourages more ambitious/strategic thinking to support achievement of savings targets, e.g. presentation of multiple options for service delivery, rather than just using last year's budget as a baseline.
- Potential for zero-based budgeting in significant service areas – clearly there is overlap here with the transformation programme so we will need to think about frequency and extent.

- Ideas for savings that may be overlooked across the sector but can help to put us in a better position
- Improvements to the Finance Management System and back office processes to streamline the process for Finance and budget holders – this element can largely be managed internally.
- Engagement with members to give them an external perspective on the approach taken in Cambridge its strengths and weaknesses, and alternatives.
- In order to remain on track, we need the next budget round to identify c. £5m of recurring revenue savings.

Requirement

We are seeking external support to work with us to develop a range of possible options to improve our budget setting process, which meet the outcomes above. In particular, we are looking for somebody who can identify best practice within the sector and help us to tailor and apply this to our own situation.

The timescale would be for the new process to be developed by the end of April in preparation for the new municipal year, so it can be implemented for next year's budget cycle. Particularly where member engagement is concerned, there is a need to gain early buy-in and agreement of timetable. We are working with a budget of up to £15k, which we envisage covering 10-20 days working with the finance, leadership team and democratic services, along with members.