



Item

CHANGES TO THE COUNCIL'S BUDGET PROCEDURE RULES AND RELATED CONSTITUTIONAL MATTERS

To:

Civic Affairs Committee 21/09/2022

Report by:

Caroline Ryba s151 Officer, Head of Finance
Email: caroline.ryba@cambridge.gov.uk

Wards affected:

All

1. Introduction

- 1.1 This report recommends changes to the Constitution to give effect to the amendments to the Council's budget process agreed by the Executive Councillor for Finance, Resources and Transformation on 11 July 2022 following Strategy and Resources Scrutiny Committee.
- 1.2 Two working meetings with Executive Councillor Davey and Group Leaders Councillors Bick and Bennett have informed the proposals in this report.

2. Recommendations

To recommend to Council:

Budget Process and virements

- (i) The changes to Council Procedure Rules and Budget Framework rules as set out in the Appendix A and that the arrangements are reviewed in good time to inform an agreed approach for the following budget cycle.

- (ii) To note the additions and changes to meetings December 2022-February 2023 as a consequence of these changes.
- (iii) To agree that Council meets on 23 February 2023 to consider the Budget Setting Report and associated financial recommendations only (ie a budget meeting), with the remainder of the Council Agenda adjourned until the following Thursday 2 March 2023 (ie the same arrangement as 2022). To note that this arrangement may not be the best way on-going and Members will be consulted on different options for when Council meetings are scheduled at this time of the municipal year following a review of the above changes to the budget process.
- (iv) To agree the changes to Virements and carry forwards as described in 3.4 and Appendix B.

3. Background

3.1 At Strategy and Resources Scrutiny Committee on 11 July, 2022, the Executive Councillor for Finance, Resources and Transformation agreed to transition to a new budget process this year, with further changes being brought in next year, subject to constitutional change, by asking 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.

Changes to budget timetable and Budget Procedure Rules

3.2 The new arrangements will be as follows:

- (i) The Executive meets to consider a draft Budget following which there will be a period of public consultation.
- (ii) The Strategy and Resources Scrutiny Committee will meet after the consultation closes and consider the officer's analysis of the consultation and the draft Budget.
- (iii) The Executive will meet to agree a Budget for recommendation to Council.
- (iv) Amendments to the Executive's Budget and associated financial reports will be published by noon on Tuesday 21 February.

3.3 The relevant wording changes to reflect the above process in the Budget Framework and Procedure Rules is in Appendix A. Also included are some very minor changes to reflect the new arrangements to Council Procedure Rules (Part 4A A2 covering the budget Council meeting and amendments).

If Committee and Council agrees, the meetings timetable for the Budget would look like this for 2022/23:

- Wednesday 30 November-publish Executive agenda
- Thursday 8 December (5.30pm) – Executive meeting
- Monday 12 December-Monday 9 January 2023 4 week budget consultation
- Wednesday 18 January-publish S&R agenda inc analysis of consultation
- Monday 30 January 2023-S&R Scrutiny Committee (from 6 February)
- Wednesday 1 February 2023 – publish Executive agenda
- Thursday 9 February 2023 (5.30pm) -Executive meeting (from 6 February)
- Wednesday 15 February 2023 -Council Agenda despatch
- Thursday 23 February 2023 -Council (budget and related finance only)
- Thursday 2 March 2023 -Council (continuation of business other than budget)

Virements and carry forwards

- 3.4 Alongside changes to the process, it was agreed on 11 July that the rules for virement and carry forwards are reviewed and simplified and that consideration is given to increasing delegations/virement limits. The Head of Finance has compared limits with comparable district councils and the changes to levels are suggested as follows:
- 3.5 Directors and heads of service may exercise virement on budgets under their control within the annual limits set out below.

Nature of virement	Total annual approval limit	Approval by:
Within a cost centre	No limit	Cost centre manager
Between cost centres within a service grouping	Up to £75,000	Head of service in consultation with the Head of Finance
	£75,001 to £250,000	Executive councillor* in consultation with the Head of Finance
	Over £250,000	Full council
Between cost centres in different service groupings and/or portfolios	Up to £250,000	Executive councillor(s)* in consultation with the Head of Finance
	Over £250,000	Full council

*All decisions taken by the Executive Councillor will be reported to Chair and spokes in line with out of cycle decisions, or if time allows, be sent to Strategy and Resource Scrutiny Committee for consideration.

A review of any non-technical virements over £100,000 made under this new process will be reviewed by the Strategy and Resources Scrutiny Committee after the first year of operation.

The detailed wording change to the Constitution's Financial Procedure Rules are attached at Appendix B.

A summary analysis of comparable councils virement limits is included within Appendix C.

4. Implications

(a) Financial Implications

As covered in the report

5. Consultation and communication considerations

The Executive Councillor for Finance, Resources and Transformation supports the proposals and the opposition Group Leaders have been consulted on the proposals to the budget process and virements.

6. Contact

If you have a query on the report please contact Caroline Ryba, Head of Finance caroline.ryba@cambridge.gov.uk.

APPENDIX A

PART 4C BUDGET AND POLICY FRAMEWORK PROCEDURE RULES

Budget Setting – Scrutiny of Budget Proposals, amendments and Executive Recommendation

- 3.3 The Executive will meet to consider a draft Budget prior to being available for public consultation. Any member of the Council can attend and speak at this meeting, The Strategy and Resources Scrutiny Committee (with the Executive's draft budget included on the agenda) will meet after the public consultation period. The comments of the Scrutiny Committee will be reported to the Executive and to the Council.
- 3.4 The Executive will meet to recommend final budget proposals for submission to the Council. The Executive may amend its draft budget - in the light of the public consultation, Strategy and Resources Scrutiny Committee consideration and any advice from the s151 Officer. Any member of the Council can attend and speak at this meeting.

Amendments following the Executive's recommendation to Council

- 3.5 Following publication of the Council Agenda including the Executive's Budget recommendations, amendments may be submitted by Opposition Groups or any Member. These must be amendments which are received by the Council's s151 Officer so that they can be published by midday on the Tuesday (before a Thursday Council) along with the s151 Officer opinion.

PART 4A COUNCIL PROCEDURE RULES

APPENDIX A2 BUDGET RECOMMENDATIONS AND AMENDMENTS

Para 2.6 is deleted as it is no longer relevant under the new process (if agreed) [~~Members may submit revised amendments where the Mayor is satisfied that the substantive issues have been considered at the Strategy & Resources Scrutiny Committee~~]

- 2.7 The Executive may amend its budget recommendations in the light of amendments moved [~~at the Strategy & Resources Scrutiny Committee or~~] at the Council meeting.

APPENDIX B -

Part 4F: Financial Regulations and Financial Procedure Rules

OTHER FINANCIAL ACCOUNTABILITIES

Virement

A.23 The Head of Finance is responsible for agreeing procedures for virement of expenditure between budget headings. The Head of Finance may approve technical virements to make budget transfers where there is no underlying change in the budget intention.

A.24 Heads of Service are responsible for agreeing in-year virements within delegated limits, in consultation with the Head of Finance. Executive Councillor or full Council approval will be required for virements in excess of £75,000 and for those which are between service groupings and/or portfolios, as set out in the current General Fund and Housing Revenue Account budget books.

A.25. The scheme of virement is set out in the Financial Procedure Rules paragraphs 1.11 to 1.15.

Part 4F: Financial Regulations and Financial Procedure Rules – Appendices

SCHEME OF VIREMENT

1.10 The overall budget is agreed by the executive and approved by the full council. The scheme of virement is intended to enable the executive, directors and their staff to manage budgets with a degree of flexibility within the overall policy framework determined by the full council, and therefore to optimise the use of resources according to changing needs.

Key controls

1.11 Key controls for the scheme of virement are:

- (a) It is administered by the Head of Finance within guidelines set by the full council. Any variation from this scheme requires the approval of the full council.
- (b) All virements must be notified in writing to the Head of Finance.
- (c) Permanent virements are permitted following consultation and agreement with the Head of Finance.
- (d) Virements enable the executive and officers to manage their budgets responsibly and prudently, therefore they must not:
 - create additional overall budget liability
 - support recurring expenditure from one-off sources of savings or additional income
 - involve the creation of a new policy or change in policy
 - create future resource commitments
 - represent a permanent change to the staffing establishment
- (e) The Head of Finance may approve technical virements to make budget transfers where there is no underlying change in the budget intention or impact on service delivery. Technical virements include those arising from approved policy changes and restructures, rationalisation of accounting codes and technical accounting changes.
- (f) Approval limits with the scheme of virement are totals for transfers between cost centres for the financial year. Transactions must not be broken down in order to circumvent appropriate approvals, where a series of transactions together in the financial year exceed a limit, approval from the next appropriate level must be sought.

1.12 Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that: (a) the amount is used in accordance with the purposes for which it has been established (b) the executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the executive.

Responsibilities of the Head of Finance

1.13 To administer the scheme of virement.

1.14 To prepare jointly with the relevant head(s) of service a report to the executive on proposed virements, where required under the scheme.

Responsibilities of directors and heads of service

1.15 Directors and heads of service may exercise virement on budgets under his or her control within the annual limits set out below.

Nature of virement	Total annual approval limit	Approval by:
Within a cost centre	No limit	Cost centre manager
Between cost centres within a service grouping	Up to £75,000	Head of service in consultation with the Head of Finance
	£75,001 to £250,000	Executive councillor*
	Over £250,000	Full council
Between cost centres in different service groupings and/or portfolios	Up to £250,000	Executive councillor(s)* in consultation with the Head of Finance
	Over £250,000	Full council
*All decisions taken by the Executive Councillor will follow the same process for out of cycle decisions, or if time allows, be sent to Strategy and Resource Scrutiny Committee for consideration.		

Part 4F: Financial Regulations and Financial Procedure Rules

Treatment of year-end balances

A.25 The Head of Finance is responsible for agreeing procedures for carrying forward under and overspendings on budget headings.

Part 4F: Financial Regulations and Financial Procedure Rules – Appendices

TREATMENT OF YEAR-END BALANCES

1.18 The scheme of carry forwards sets out the treatment of year-end balances. It is administered by the Head of Finance.

1.19 The rules below cover arrangements for the transfer of resources between accounting years, ie a carry-forward.

- (a) Carry forwards will be considered on a cost centre by cost centre basis and will only be considered where the application of the resources carried forward is in line with the original approved budget.
- (b) No carry forward of less than £10,000 will be considered.

Key controls

1.20 Appropriate accounting procedures are in operation to ensure that carried-forward totals are correct.

Responsibilities of the Head of Finance

1.21 To administer the scheme of carry-forwards.

1.22 To report jointly with the relevant head of service all material overspendings and underspendings on cost centre estimates to the executive and to the full council.

Responsibilities of directors and heads of service

1.24 Net underspendings on cost centre estimates under the control of the director and head of service may be carried forward, subject to approval, as follows:

Amount of carry forward	Approval by:
Below £10,000	Carry forward not permitted
£10,000 to £50,000	Head of service and Head of Finance
Over £50,000	Full council

APPENDIX C – Comparable councils’ virement limits

A review of the council’s ‘near neighbour’ authorities with similar levels of spending found that virement limits are set at a variety of organisational levels that make direct comparison difficult in some cases. However, most councils use virement limits between services, so this is presented below.

Virements between services	Limit	Level of approval required
Cambridge City Council (current procedure)	All virements	Council
Oxford City Council	Up to £250,000 if in line with policy framework £250,000 to £500,000 if in line with policy framework Over £500,000, or any virement in breach of the policy framework	Head of Service or Director Cabinet Council
Exeter City Council	Up to £40,000 per year in total – between management units for which they are responsible Over £40,000 per year in total	Director or corporate manager with Executive Councillor Council
Stevenage Borough Council	Less than £50,000 £50,000 - £250,000 Over £250,000	Assistant Director Executive Council
Welwyn Hatfield District Council	Up to £100,000 (within a directorate) Up to £100,000 (between directorates)	Chief Executive or Corporate Director Chief Executive and Corporate Directors
Crawley Borough council	Up to £50,000 with no future commitment Up to £100,000 with future commitment Over £100,000 with future commitment	Head of Finance Cabinet Council
Huntingdonshire District Council	Up to £75,000 within or between budgets they are responsible for Up to £250,000 between any budgets Up to £500,000 between any budgets Over £500,000 between any budget	Budget manager CLT Cabinet Council