

CONSTITUTION AND ETHICS COMMITTEE	AGENDA ITEM No. 4
22 NOVEMBER 2021	PUBLIC REPORT

Report of:	Peter Carpenter, Director of Corporate Resources	
Cabinet Member(s) responsible:	Cllr Andy Coles, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Director of Corporate Resources Kirsty Nutton, Head of Finance	Tel. 452520 Tel. 384590

Update Budget and Policy Framework Procedure Rules

R E C O M M E N D A T I O N S	
FROM: Corporate Director: Resources	Deadline date: 12 November 2021
It is recommended that the Constitution and Ethics Committee approves the updated Budget Policy Framework Procedure Rules, as outlined in Appendix A and recommends to Council for approval.	

1. ORIGIN OF REPORT

- 1.1 This report is presented to Cabinet following referral from the Corporate Director of Resources, the S151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide the Constitution and Ethics Committee the opportunity to review and approve the proposal to update the Budget Policy Framework Procedure Rules, as set out in part 4, section 6 of the Council's constitution.
- 2.2 This report is for the Constitution and Ethics Committee to consider under its terms of reference 2.7.2.1.

“Authority to oversee the operation of the Council's Constitution and authority to make recommendations to Full Council as to amendments and improvements to the Council's Constitution (including the codes and protocols) subject to the receipt and consideration of a report prepared by the Monitoring Officer, with the exception of those matters under the remit of the Executive.”

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	NA
Date for relevant Council meeting	8 December 2021	Date for submission to Government Dept. (<i>Please specify which Government Dept.</i>)	NA

4. BACKGROUND AND KEY ISSUES

- 4.1 The Council has always operated a Cross Party Budget Working Group (BWG) to consider budget proposals designed to contain expenditure within the Council’s financial envelope.

The recent [Financial and Governance Assurance Reviews](#), carried out on behalf of the Department of Levelling Up, Housing and Communities (DLUHC) highlight the significant financial challenges facing the Council. It is clear from these reviews that this Council alone needs to find its own financial solutions. It needs to prioritise what is important and ensure that its ambition for the City is affordable and remains within its financial envelope.

The reports outline a series of recommendations which the Council has actively started progressing. A Financial Sustainability Working Group (FSWG) has been established to replace the former Budget Working Group. This new group will have open and transparent conversations about the budget situation and types of decisions that must be taken. This will include the involvement of all parties and will play a vital role in the delivery of financial sustainability for the Council.

The FSWG terms of reference included within the Budget Policy Framework Rules have been revised to reflect the strengthened role of this group, these are included within Appendix A. Some of the key changes are outlined in the following points:

- Each political group has an equity in representation regardless of their size so that there is full cross-party contribution to bringing forward budget proposals
- The reports which go to Cabinet Policy Forum (CPF) will also go in full to the FSWG
- The role of FSWG members will include bringing forward budget proposals for consideration
- Whilst it is hoped that budget proposals will be agreed on by consensus, if this is not achieved then the proposal that does not command consensus will still go to a public meeting of Cabinet to be discussed at the appropriate time.
- The opposition group members who attend the FSWG still have the ability to scrutinise at the Joint Meetings of Scrutiny Committee where they will already have had complete access to all the documents that Cabinet have seen.

5. CONSULTATION

- 5.1 The terms of reference have been considered by the leaders of each political group.

There are no further consultation requirements. This is an enhancement to the budget process.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 Following approval by the Constitution and Ethics Committee on 22 November 2021 and Full Council on 8 December 2021, the new FSWG terms of reference will form part of the Council’s Constitution, forming an integral part of the Council’s Budget Setting Process.

7. REASON FOR THE RECOMMENDATION

- 7.1 The reason for this proposal is to ensure that the Budget Policy Framework Procedure Rules reflect the current terms of reference for the FSWG.

This recommendation will best support the Council to fulfil its statutory obligation to set a lawful and balanced budget by 11 March annually.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 No other options have been considered. This recommendation strengthens the role of the Cross-Party Working Group, to ensure it has an active role in the delivery of a sustainable and balanced budget and a Medium Term Financial Strategy.

9. IMPLICATIONS

Financial Implications

- 9.1 None

Legal Implications

- 9.2 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the Item 9(c) - For Information Only 9.1 9.3 9.4 council must base its budget calculations on and require the council to set a balanced budget with regard to the advice of its Chief Financial Officer (section 151). The setting of the budget in March each year is a function reserved to Full Council, who will consider the draft budget which has been prepared and proposed by Cabinet. When it comes to making its decision in March each year the Council is under a legal duty to meet the full requirements of s31A of the LGFA 1992 which includes the obligation to produce a balanced budget.

- 9.3 Once the budget has been agreed by Full Council the Cabinet cannot make any decisions which conflict with it, although virements and year-in-year changes can be made in accordance with the Council's financial regulations.

- 9.4 Councils are under a general duty (Section 151 of the Local Government Act 1972) to make arrangements for 'the proper administration of their financial affairs'. It is for each council to decide on the detail of its budget setting process as part of this overall duty.

Equalities Implications

- 9.5 None.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1

11. APPENDICES

- 11.1 *Appendix A- Revised Budget Policy Framework Procedure Rules*

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