

CABINET	AGENDA ITEM No. 6
19 April 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Corporate Director, Resources	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet member for Finance	
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PETERBOROUGH SUSTAINABLE COUNCIL – REVIEW OF THE BUDGET SETTING PROCESS

RECOMMENDATIONS	
FROM: Cecilie Booth, Corporate Director, Resources	Deadline date: N/A
<p>It is recommended that Cabinet notes:</p> <ol style="list-style-type: none"> 1. The areas proposed for improvement following discussion of the budget setting process at FSWG on 15th March 2022. 2. The legal requirements for setting a balance budget. 3. The new proposed process for the Council budget setting meeting. 4. The proposed timetable for developing the Medium Term Financial Strategy and Budget setting process for 2023/24 	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet following discussion by the Corporate Leadership Team (CLT).

2. PURPOSE AND REASON FOR REPORT

- 2.1 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1, *'To take collective responsibility for the delivery of all strategic Executive functions within the Council's Major Policy and Budget Framework and lead the Council's overall improvement programmes to deliver excellent services.'*

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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4. BACKGROUND AND INTRODUCTION

- 4.1 The 2022/23 budget was approved by Council on 2nd March 2022 by a narrow margin of 1 vote. The budget setting process and member involvement was subsequently discussed at the Financial Sustainability Working Group (FSWG) on 15th March 2022 to assess how the process can be improved for future years. The following areas for improvement were identified and discussed:

- The annual budget must flow from the CEO's vision for a Sustainable Peterborough and the MTFS.
- Members must accept the importance of setting a balanced budget within the statutory timeframe or propose an alternative budget if there is not overall political support for the budget presented by the Executive. It is not a viable option to just vote against it with no alternative, there are significant legal and financial risks of not agreeing a balanced budget within the statutory deadline.
- The budget setting process and the budget report must be presented in a format easily understood by all members.
- Is there too much focus on the savings?
- We should deliver user friendly and effective workshops / training
- The budget and the Council Tax resolution are presented in two separate reports. As it is not possible to approve the Council Tax resolution without an agreed budget, consideration should be given to include the Council Tax resolution as an appendix to the Budget Setting report.
- Risks - consider how this is presented. E.g. budget savings are RAG rated to indicate the risk of delivery, however, some members understood the RAG ratings to reflect risks to people rather than to delivery.
- The usefulness of the Financial Sustainability Working Group (FSWG) as a forum - how could we engage with group leaders and members even more? Terms of Reference will be updated.
- Timing and frequency of FSWG meetings / cancelled meetings
- Distribution of FSWG papers – all papers should be issued via Democratic Services, and the frequency of meetings should allow sufficient time for reports to be prepared and circulated.

- 4.2
- Date of the Budget Setting meeting - aim for around 20th February

The outcomes of the above discussions are covered within this report, in consultation with the Independent Improvement Panel (IIP). Advice and guidance from the IIP is taken on board throughout this process.

5. LEGAL REQUIREMENTS FOR SETTING A BALANCED BUDGET

- 5.1 The Council has a duty under section 30(6) Local Government Finance Act 1982 to set a lawful budget in a timely manner.
- 5.2 Members have a fiduciary duty to Council Tax payers, which means they have a duty to facilitate the setting of a lawful budget; a process that requires flexibility and compromise. Failure to set a lawful budget in time may lead to a loss of revenue, significant additional administrative costs, as well as reputational damage and potential intervention from the Secretary of State under section 15 Local Government Act 1999.
- 5.3 Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. Failure to set a budget within the deadline does not, in itself, invalidate the budget, however, such delay may have significant financial, administrative and legal implications, including potential individual liability of any Member who contributed to the failure to set a budget. Section 66 of the 1992 Act provides that failure to set a Council tax (or delay in setting a Council tax) shall not be challenged except by an application for judicial review. The Secretary of State and any other person with an interest or "standing" may apply for judicial review.
- 5.4 Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken. Section 25 also requires the Council's Chief Financial Officer to make a report to

Full Council when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions on the Executive's budget proposals and any alternative proposals. Any decision that ignores this professional advice, including the implications of delay, is potentially challengeable.

In addition, Section 114 of the 1988 Act states that if the Council has failed to set a balanced budget by the statutory deadline, expenditure would be unlawful and there would be a need for the Chief Financial Officer to issue a notice under the Act.

6. THE COUNCIL BUDGET SETTING MEETING – PROPOSED NEW PROCESS

6.1 A review of the Constitution and Standing Orders has commenced, including the budget setting process to ensure the Council is able to set a balanced budget within the statutory deadline. External legal advice will be obtained if required. The following approach is suggested:

The Council Budget Setting Meeting should be brought forward to around 20th February of each year to set the budget for the forthcoming year. Several members have commented that the Budget Setting report is too long and too detailed, and therefore difficult to read and digest. To address this, a short and user-friendly Executive Summary will be presented within the report, drawing out the key issues for members' consideration. Better use of graphs and diagrams will be included within the report.

At the Council Budget Setting meeting, the Executive submits to the Council its revenue budget which include all the costs of services, other than those charged to capital, and income from all sources. This will include any proposals to add to or use revenue reserves and any precepts from other authorities (e.g. Police).

6.2 The Executive will propose its recommendations relating to the above matters to the Council, which if seconded, will be debated by Full Council and voted upon. The Council may:

- a. Adopt the Executive's proposals; or
- b. Amend them in accordance with the provisions set out below; or
- c. Refer them back to the Executive for further consideration.

6.3 Budget amendments - any Elected Member may put forward any amendments to the Executive's budget proposal. However, Members should not put forward proposals that would mean setting an unlawful / deficit budget, and they must take Officer advice to ensure their proposals are in order. To this end any proposed amendments must be evaluated by the Chief Financial Officer, to determine the service, financial and legal implications of implementing the amended proposals. The amended proposals are required to be submitted to the Chief Financial Officer, via the Democratic Services Manager by no later than 12 noon 10 clear working days before the Council Budget Setting Meeting, excluding the date of the meeting itself. Any proposed amendment to any matter on the Council Meeting Agenda, other than the budget, which would have, or would be likely to have, a significant effect on the Executive's proposed budget, must also be submitted to the Chief Finance Officer by no later than 12 noon 10 clear working days before the Council, excluding the date of the meeting itself.

6.4 The amended proposals will be considered by the Chief Financial Officer by no later than 12 noon 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself. The Chief Financial Officer will confirm the legality and impact of all proposed amendments. Any that in the Chief Financial Officer's opinion are unlawful shall be rejected. The Chief Financial Officer will share all amended proposals, together with Finance sign off and comments, with the

Chief Executive and Monitoring Officer by 5pm 5 clear working days before the day of the Council meeting, excluding the day of the meeting itself.

6.5 All proposed amendments will be shared with all Elected Members, by email, by the Chief Financial Officer by 12 noon 3 clear working days before the Council meeting, excluding the day of the meeting itself. Following a period for negotiation, any minor amendments to proposed amendments, will be allowed up to 9am on the day of the meeting, provided they do not have substantial impact and are agreed with the Chief Financial Officer. By noon on the day of the Council meeting Democratic Services Officers will circulate copies of all remaining proposed amendments to all Members of the Council, by email, in case any have been withdrawn. At the Council meeting, the Chairman will refuse to accept any proposals for amendment that have not been through the above process, and signed off as being lawful proposals by the Council's Chief Financial Officer

7 PETERBOROUGH CITY COUNCIL SETTING THE SCENE FOR THE MEDIUM TERM FINANCIAL STRATEGY AND THE 2023/24 BUDGET SETTING PROCESS

7.1 The CEO has prepared a paper on his vision for a Sustainable Council going forward, setting out his vision and values for PCC. This paper provides the overarching strategy, and all new and existing strategies and policies will flow from this.

7.2 A full review of the remit, usefulness and attendance at FSWG will be undertaken, and the Terms of Reference will be updated accordingly. Going forward, a full schedule of monthly FSWG meetings for the year will be set, including deadlines for issuing papers, to coincide with the overall MTFS and 2023/24 budget setting draft timetable, as set out in Section 5 below. Papers should be issued by Democratic Services rather than by finance officers, and the agenda should provide sufficient time for consultation deadlines, report writing etc.

7.3 An external provider will provide financial awareness and budgetary training for all new and existing members. The training will be delivered in summer and will provide the following:

- an explanation of local government finance,
- the role of the S151 officer
- the role of elected members in finance,
- an explanation of the budget, financial sustainability and control measures and the importance of meeting statutory requirements for setting a balanced budget by the statutory deadline. And the financial and legal implications of failure to do so.
- The preparation of an alternative budget and the way opposition members can work with the finance team

7.4 The Council Budget Setting (S25) report and the Council Tax resolution report will be combined; the Council Tax resolution will be included as an appendix to the Budget Setting report rather than a standalone separate report.

8. PROPOSED TIMETABLE FOR THE MTFS AND BUDGET SETTING 2023/24

8.1 The proposed timetable set out below will enable the first Council Tax collection date to be brought forward from 15th April to 1st April, which will improve cashflow and collection rates for the rest of the financial year. The draft timetable may be subject to changes as and when the MTFS, service reviews and budget setting process develops.

Meeting	Date
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FSWG – MTFS update and outline budget setting plans for discussion	13.4.22
MTFS Development	April-July 2022
CPF	30.5.22
FSWG	1.6.22
CPF	27.6.22
FSWG	29.6.22
Member training – budget setting and financial awareness	June / July 2022
Joint Scrutiny – MTFS update	TBC July 2022
Cabinet – MTFS update	11.07.22
CPF	1.8.22
FSWG	3.8.22
CPF	6.9.22
FSWG	7.9.22
Budget consultation	August / September 2022
Joint Scrutiny – MTFS update	TBC September 2022
Cabinet – MTFS update	19.09.22
CPF	26.9.22
FSWG	28.9.22
CPF	17.10.22
FSWG	19.10.22
CPF	28.11.22
FSWG	30.11.22
CPF	19.12.22
FSWG	21.12 22
Publish Draft Budget Report following Provisional Local Government Settlement	December 2022
Consultation on the Budget 2023/24	January 2023
Cabinet	09.01.23
CPF	16.1.23
FSWG	18.1.23
Joint Scrutiny- Budget	22.01.23
Cabinet – final budget report (excluding Fire & Police precepts- which will be reported in advance of Council)	13.2.23
CPF	13.2.23
FSWG	15.2.23
Council- Budget Setting meeting, including: <ul style="list-style-type: none"> • Council Tax Resolution • Revenue and Capital Budgets • Section 25 Statement 	22.2.23

CPF- Cabinet Policy Forum

FSWG- Financial Sustainability Working Group

9. CONCLUSIONS

- 9.1 The statutory requirements for setting a balanced budget in a timely manner is set out in Section 2 above.
- 9.2 The budget setting timetable is set out in Section 8, with the Council Budget Setting meeting brought forward to 22nd February 2023.
- 9.3 The 2023/24 budget will flow from the Medium Term Financial Strategy and the CEO's vision for a Sustainable Council.

- 9.4 The remit of the FSWG will be reviewed and the Terms of Reference will be updated accordingly.
- 9.5 Training and workshops will be provided for members
- 9.6 If required, the finance team will work with opposition members to prepare an alternative budget.
- 9.7 The submission and consideration for Budget Amendments is set out in Section 6.
- 9.8 Future budget reports will be presented in a more user friendly format, including an Executive Summary setting out the key issues.