

BUDGET SETTING PROCESS

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Reason for Report

At the meeting of Audit Committee in December 2009, Committee requested a briefing note from officers on the budget setting process within the council. The request arose from Committee's review of its Terms of Reference, to assure themselves that the budget setting process was subject to sufficient scrutiny elsewhere within the Council.

INFORMATION

- 1 The budget process is a key aspect of the Council's strategic planning, through which the Council allocates resources for the delivery of its strategic objectives, balances competing priorities and risks, and provides democratic and management control over the use of resources.
- 2 The budget process can sometimes be viewed as simply referring to the production of the General Fund revenue budget, however, the scope is wider than this, and covers the following budgets:
 - General Fund revenue budget
 - Capital programme
 - Housing Revenue Account (HRA)
 - Schools Budget

The budget processes for the Housing Revenue Account and Schools Budgets broadly speaking stand alone and have their own consultation and reporting arrangements. The General Fund revenue budget and capital programme are produced from a single integrated process commonly referred to as the Medium Term Financial Forecast (MTFF) process.

- 3 Under the Council's constitution, all of the Council's budgets are approved by full Council in February of each year, based on the recommendation of the Cabinet. The key overarching decisions that the Council makes in setting each year's budgets are over the level of the Council Tax, housing rents and fees and charges to service users. The schools budget is not reported to full Council, as it is effectively contained within the General Fund revenue budget – instead Cabinet makes a final decision on the distribution of resources ringfenced by the Government between individual schools and the Council.
- 4 The formal consultation on the General Fund revenue budget and capital programme takes places with Policy Overview Committees. Under the Council's constitution the Cabinet is required to publish a draft budget for consultation purposes at its December meeting. The budget proposals are then consulted upon with each of the service area Policy Overview Committees for

the proposals within their remit during January. The comments of the individual Policy Overview Committees are consolidated at a further meeting of the Corporate Services and Partnerships Policy Overview Committee and then reported to Cabinet at its February meeting, alongside the Cabinet's final budget recommendations to Council for the forthcoming year. Cabinet will generally indicate how it has responded to the comments made by the Policy Overview Committees in making its final proposals to full Council.

There is also a statutory requirement on the Council to consult on its budget proposals with representatives of business ratepayers within its area. This responsibility is discharged by inviting a sample of the largest business ratepayers within the borough to comments on the draft budget proposals considered by Cabinet in December.

Schools budgets are subject to a specific consultation process with schools and other stakeholders. Proposals endorsed by the Cabinet Member for Education and Children's Services are presented in a consultation paper issued to schools during the December preceding the new financial year. The Schools Forum considers the results of this consultation exercise and the Council must secure its agreement before it can implement certain proposals, such as breaching the Central Expenditure Limit (the limit set to ensure that centrally retained budgets do not increase faster than budgets delegated to individual schools).

The key element of consultation on the Housing Revenue Account is over proposed rent levels. HRA proposals are developed in conjunction with Hillingdon Homes, and consultation with tenants and tenant representatives takes place through the various tenant forums such as the Housing Consultative Forum.

- 5 Member scrutiny of the budget process is both internal and external in focus. Internal scrutiny of the budget process is conducted by Cabinet through informal mechanisms. The overall strategy for the budget is confirmed by the Leader of the Council based on recommendations from the Chief Executive and the Corporate Management Team. Progress against this strategy is then monitored on a monthly basis by the Leader of the Council in conjunction with the Chief Executive, Deputy Chief Executive and the Corporate Director of Finance and Resources. Cabinet then review the overall position of the development of the budget at an informal joint Awayday of the Cabinet and Corporate Management Team, normally in early November. Cabinet Members then provide guidance over the strategic choices to be included in Medium term Financial Forecast and draft budget reported to December Cabinet.

External scrutiny of the budget process is conducted by service area Policy Overview Committees. In addition to the formal consultation on the draft budget in January of each year, the Policy Overview Committees also review the budget process and strategic financial issues affecting the services within their remit at their July meetings. In addition, the Executive Scrutiny Committee meets after each Cabinet meeting to review the decisions made by Cabinet including those relating to or impacting on the budget process, and 'call-in'

decisions where this is considered appropriate. However, this right to call-in the Cabinet's decisions does not apply to the Cabinet's final budget recommendations to full Council made at the February meeting of Cabinet, on the grounds that any issues arising from these final budget recommendations can be debated in full Council.