

## LONDON BOROUGH OF HARROW

<b>Meeting:</b>	Cabinet
<b>Date:</b>	15 July 2003
<b>Subject:</b>	Service And Financial Planning Process 2004-05 to 2006-07
<b>Key decision:</b>	No
<b>Responsible Chief Officers:</b>	Chief Executive Executive Director (Business Connections) Interim Director Of Finance
<b>Relevant Portfolio Holder:</b>	Finance and Human Resources and Performance Management
<b>Status:</b>	Part 1
<b>Ward:</b>	All
<b>Enclosures:</b>	Appendices <ol style="list-style-type: none"><li>1. Extract From the Council's Constitution – Budget And Policy Framework Procedure Rules</li><li>2. Proposed Budget Timetable 2004-05</li><li>3. Proposed Budget Guidelines 2004-05 (excluding Appendices) (circulated in Supporting Documents Pack)</li></ol>

### 1. Summary

- 1.1 Under the Council's new constitution the Cabinet is required to propose and the Council agree a timetable for the consideration of the budget.
- 1.2 This report and its appendices contain proposals for a budget timetable and a service and financial planning process for:
  - setting the budget and Council Tax for 2004-05; and
  - developing the current Medium Term Revenue Budget Strategy (MTRBS) up to 2006-07; and
  - developing an initial Medium Term Capital Budget Strategy (MTCBS).
- 1.3 This report also contains proposed budget guidelines for approval by the Cabinet. It should be noted that some of the documentation still needs to be

developed (by the end of July) and that the guidelines will be subject to revision to clarify the process.

- 1.4 It is also proposed to run a workshop for Heads of Service and the Budget Review Working Group (BRWG) to launch the process. It is suggested, subject to the agreement of the Chair of the BRWG, that the Chair of Overview and Scrutiny be invited to the BRWG launch and that this invitation is extended to all other Members.

## **2. Recommendations**

- 2.1 That the Cabinet recommend (subject to any amendments) to Council the Budget Timetable at Appendix 2 to the report.
- 2.2 That the Cabinet approve (subject to any amendments) the budget guidelines as set out in Appendix 3 to the report.

**Reason: To recommend to Council a budget timetable to prepare the 2004-05 budget to meet its statutory requirements to set a legal budget.**

## **3. Policy Context (including Relevant Previous Decisions)**

- 3.1 On 27<sup>th</sup> February 2003 the Council agreed its budget and Council Tax for 2003-04 and an initial Medium Term Revenue Budget Strategy (MTRBS) for 2003-04 to 2005-06.
- 3.2 The key service and financial principles underpinning those decisions are to:
  - to maintain and improve current services with realistic budgets;
  - to reduce the increase in Council Tax each year with an increase in line with inflation (or less if possible) by 2006/07;
  - to reduce the reliance on reserves;
  - to bring back capitalised highway maintenance into the revenue budget;
  - to meet existing and new statutory obligations and those in the Local Public Service Agreement;
  - to passport the increase in the Schools FSS to the Schools Budget;
  - to provide for implementation of the New Harrow Project, focusing on the roll out of the clean and green initiative (subject to evaluation), restructuring the Council' service delivery and improving investment in ICT; and

- to move back to cash limited budgets

3.3 The assumptions underpinning the MTRBS were detailed in the budget report to the Cabinet in December 2002.

3.4 Figure 1 shows the initial MTRBS in terms of total spending and the estimated impact on the Council Tax. This will be included in the draft Corporate Plan.

**Figure 1: Initial Medium Term Revenue Budget Strategy 2003-04 to 2005-06**

Department	Original Budget 2003-04 £m	Real Terms Increase		Original Budget 2004-05 £m	Real Terms Increase		Original Budget 2005-06 £m
		£m	%		£m	%	
Education	129.263	4.218	3.3	133.481	3.764	2.8	137.245
Environment Services	32.939	3.843	11.7	36.782	2.899	7.9	39.681
Social Services	60.411	1.001	1.7	61.412	1.120	1.8	62.532
Housing Services	6.876	0.300	4.4	7.176	0.275	3.8	7.451
Environmental Health	2.647	0.115	4.3	2.762	0.100	-3.6	2.662
Chief Executive's Dept	16.688	0.371	2.2	17.059	0.896	5.3	17.955
Central Items (Inflation, Efficiency Target, Unallocated Growth, Single Status)	1.374	9.168		10.542	8.498		19.040
	<b>250.198</b>	<b>19.016</b>		<b>269.214</b>	<b>17.352</b>		<b>286.566</b>
Asset Management Account etc	-20.322	0.000		-20.322	0.000		-20.322
Use of Balances	-0.105	0.060		-0.045	0.000		-0.045
<b>Totals</b>	<b>229.771</b>	<b>19.076</b>	<b>8.3</b>	<b>248.847</b>	<b>17.352</b>	<b>7.0</b>	<b>266.199</b>

*(Note: Chief Executive's Department includes increase spending on IT and restructuring costs)*

3.5 The MTRBS provides a key starting point for the 2004-05 budget and to roll forward the MTRBS to cover a three year period up to 2006-07. As such the current MTRBS needs to be reviewed early in the proposed budget process in the light of:

- more up to date information from within the Council and from central government;

- the Council's emerging Corporate Plan, service planning and performance management framework; and
  - the implementation of the 2003-04 budget.
- 3.6 The Council's external auditors will also review the current MTRBS as a part of the light touch inspection regime arising from the Comprehensive Performance Assessment (CPA). This review should be completed by early August 2003.
- 3.7 Given that the current MTRBS is the Council's first, it is important for Members to review the Strategy in the light of the implementation of the 2003-04 budget (the first year of the current MTRBS), changing circumstances and refined priorities.
- 3.8 In reviewing and considering its budget, Council Tax for 2004-05 and its MTRBS for 2004-05 to 2006-07, the Cabinet and Council will need to strike a balance between spending, value for money, the interests of service users and those of the Council Tax payer.
- 3.9 Account will also need to be taken of:
- the implications of decisions in the medium term;
  - the external auditor's comments in the Annual Audit Letter on the financial health of the Council; and
  - issues identified in the Improvement and Development Agency (IDeA) peer review and the Audit Commission's CPA.

#### **4. Relevance to Corporate Priorities**

- 4.1 The consideration of the budget is relevant to all corporate priorities as the budget should reflect the balance of resources to achieve the Council's service and financial objectives in the forthcoming year and in the medium term.

#### **5. Background Information and Options Considered**

##### *Legal Requirement to Set a Budget and Council Tax*

- 5.1 The Council has a statutory duty to set a balanced budget and to set a Council Tax before the 11<sup>th</sup> March for the forthcoming financial year.
- 5.2 There are very important practical reasons for the Council to approve the budget and set the Council Tax before the 11<sup>th</sup> March 2004, including the Council's ability:
- to send out bills so that Council Tax instalments can begin from 1<sup>st</sup> April. Any delay will have financial implications for the Council in terms of loss of interest;

- to notify schools formally and as early as possible of their budget shares in order that governing bodies may agree their school's budget with certainty; and
- to notify all managers of their budgets as early as possible to ensure continuity of service and the implementation of changes required in the approved budget.

5.3 The proposed timetable at Appendix 2 therefore has the Council meeting on the 26<sup>th</sup> February 2004 as the budget and Council Tax setting meeting. This has been approved in the Council's Calendar of Meetings.

*Legislation in Relation to the Schools Budget*

5.4 The latest Education Act requires that before the end of January in any financial year Local Education Authorities (LEAs):

- determine the proposed amount of their schools budget for the following year, and
- give notice of their determination to the Secretary of State and to the governing body of every school maintained by the authority.

5.5 If the Secretary of State considers that the proposed schools budget is inadequate, he/she has the power (within 14 days of receiving the above determination) to issue a notice determining the minimum amount of the schools budget for the LEA for the year.

5.6 It is also likely that the criteria for passporting the increase in the School's Formula Spending Share to the School's Budget will be refined in response to the national issues arising from passporting to individual schools in the 2003-04 budget.

5.7 In order to meet the requirements of the Act, the Cabinet and the Council will need to recommend and determine its proposed schools budget at their meetings in January 2004.

5.8 The requirements in the Act require the schools budget to be determined:

- in advance of the final details of the Finance Settlement and the teacher's pay award (currently not available until late January);
- prior to completion of budget and council tax consultation; and
- in isolation from the Council's overall budget and Council Tax decisions.

5.9 The requirements in the Act are reflected in the proposed budget timetable at Appendix 2.

*The Council's Constitution*

5.10 Part 4 Section D of the constitution - "Budget and Policy Framework Procedure Rules" sets out the requirement for the Cabinet to:

- propose and Council agree a timetable for the consideration of the budget before the publication of any draft budget proposals;
- publish draft proposals for the following year's budget by no later than 1<sup>st</sup> November in any year; and
- arrange appropriate consultation on these draft budget proposals with local stakeholders and others.

5.11 The relevant extract from the constitution is at Appendix 1.

*Improving the Budget Timetable and Process for 2004-05*

5.12 The Cabinet and the Council agreed the budget timetable and process for the 2003-04 budget in September 2002. This is later than is ideal for developing and considering budget proposals and developing an MTRBS.

5.13 The Interim Director of Finance has reviewed last year's process and timetable together with comments received from CMT, Heads of Service, Members and stakeholders made during and after last year's process. In addition to earlier planning of the process, there are six further areas for improvement. These are summarised in Figure 2.

**Figure 2: Improving the Budget and Financial Planning Process**

<b>1. Understanding Current Performance and Costs to Inform Priorities (See Below)</b>
To develop a clearer understanding of current performance and costs in order to focus member and officer effort and proposals on: <ul style="list-style-type: none"><li>• improving performance within current or less resources;</li><li>• high priority areas needing most improvement which may need additional resources; and</li><li>• lower priority areas where reductions or disinvestment may have to be considered in order to meet higher priorities.</li></ul>
<b>2. Establishing Clear Policy Priorities and What is Not a Priority</b>
To establish clear policy, performance and financial priorities to guide the budget and link resources to priorities, service standards and performance. The 2003-04 budget was made easier by the establishment of some key principles (see paragraph 3.2). These are being further developed into key service priorities (and what is not a priority) and policy targets as part of the Corporate Plan to link strategic planning with service planning, performance management, medium term financial planning and budget setting.

### **3. Reviewing Past Financial Performance To Inform Future Budgets**

To review the 2002-03 financial out-turn and the implementation of the 2003-04 budget to further ensure that base budgets are adequate for current service standards before considering changes in service levels, standards and targets.

### **4. Integrating the Capital and Revenue Budget Processes**

To better integrate the capital and revenue budget processes to ensure:

- consistency with the Council's corporate priorities;
- the revenue implications of capital schemes are included in the revenue budget; and
- the capital consequences of revenue budget proposals are included in the capital budget.

### **5. Presentation of Information**

To improve the presentation of information for Members and for stakeholders in the consultation process. The focus has been on changes to the budget without the context of the overall budget and service objectives and performance. Budget changes have also been presented departmentally rather than against key service or policy areas. As a result, it is unclear how significant changes compare to current budgets and performance and what is being achieved with tax-payers money. The Overview and Scrutiny Committee will also be reviewing this aspect of the budget.

### **6. The Consultation Process** (See section 6)

- 5.14 Linking the budget further to corporate priorities and service delivery relies on the developments currently underway to agree a corporate plan and to improve service planning, performance management and the best value processes.
- 5.15 While substantial improvement has already been achieved in the financial planning process and more is planned for the forthcoming year, improvement will need to be kept pace in future years with improvements in the Council's corporate planning, service planning and performance management processes.

#### *Publishing Budget Proposals*

- 5.16 The Council's constitution requires the Cabinet to publish draft proposals for the following year's budget by no later than 1<sup>st</sup> November in any year. In practice, this means developing budget proposals by mid-September in order for the proposals to be considered by the Cabinet in mid-October allowing for the preparation of the report and the lead in times for Cabinet meetings.
- 5.17 The budget year 2003-04 was exceptional because of the major review of the formula for funding local authorities and the Government's three year Comprehensive Spending Review (CSR 2002). While the formula review and the CSR 2002 are not features for the 2004-05 budget, uncertainty about funding still remains, for example:

- the Council's Formula Spending Share (FSS) may still be affected by the unwinding of caps and ceilings within the 2003-04 formula (in total and within the Education Formula Spending Share) and new caps and ceilings for 2004-05.
- the FSS may also be affected by new census data, alterations to the school's funding framework and changes to the capital financing FSS as a result of the introduction of the new Prudential Code for Capital Finance in Local Authorities. For example, a difference of just ½% from the resources projected could, based on the 2003-04 FSS, represent £1.12 million of resources equivalent to 1⅓% on or off the Council Tax;
- there may be further significant changes to specific grant funding and specific grants being transferred to FSS as part of the Government's commitment to reducing the percentage of specific grants as a total of local government spending; and
- the possible introduction of the new Prudential Code for Capital Finance in Local Authorities from April 2004 will, in the early stages of financial planning, place a considerable degree of uncertainty over resources for capital investment. Further practical advice on the application of the Code is expected in September 2003.

5.18 The development of budget proposals will need to balance properly planned and researched budget options with transparency, the ability for stakeholders to influence the budget priorities at an early stage in the process, and allow for a reasonable period for consultation on detailed proposals.

5.19 With these principles in mind, it is recommended that at its meeting in October 2003 the Cabinet report;

- a Medium Term Revenue Budget Forecast based on a refresh of the current MTRBS;
- an initial indication of estimated available capital resources as part of a MTCBS;
- initial proposals arising from the review of fees and charges, and efficiency savings; and
- an indication of the policy, performance and service areas to be examined in detail.

5.20 Detailed budget proposals for consultation will, as in the 2003-04 budget process, be presented at the meeting of the Cabinet in December 2004.

5.21 These recommendations are reflected in the proposed budget timetable at Appendix 2.

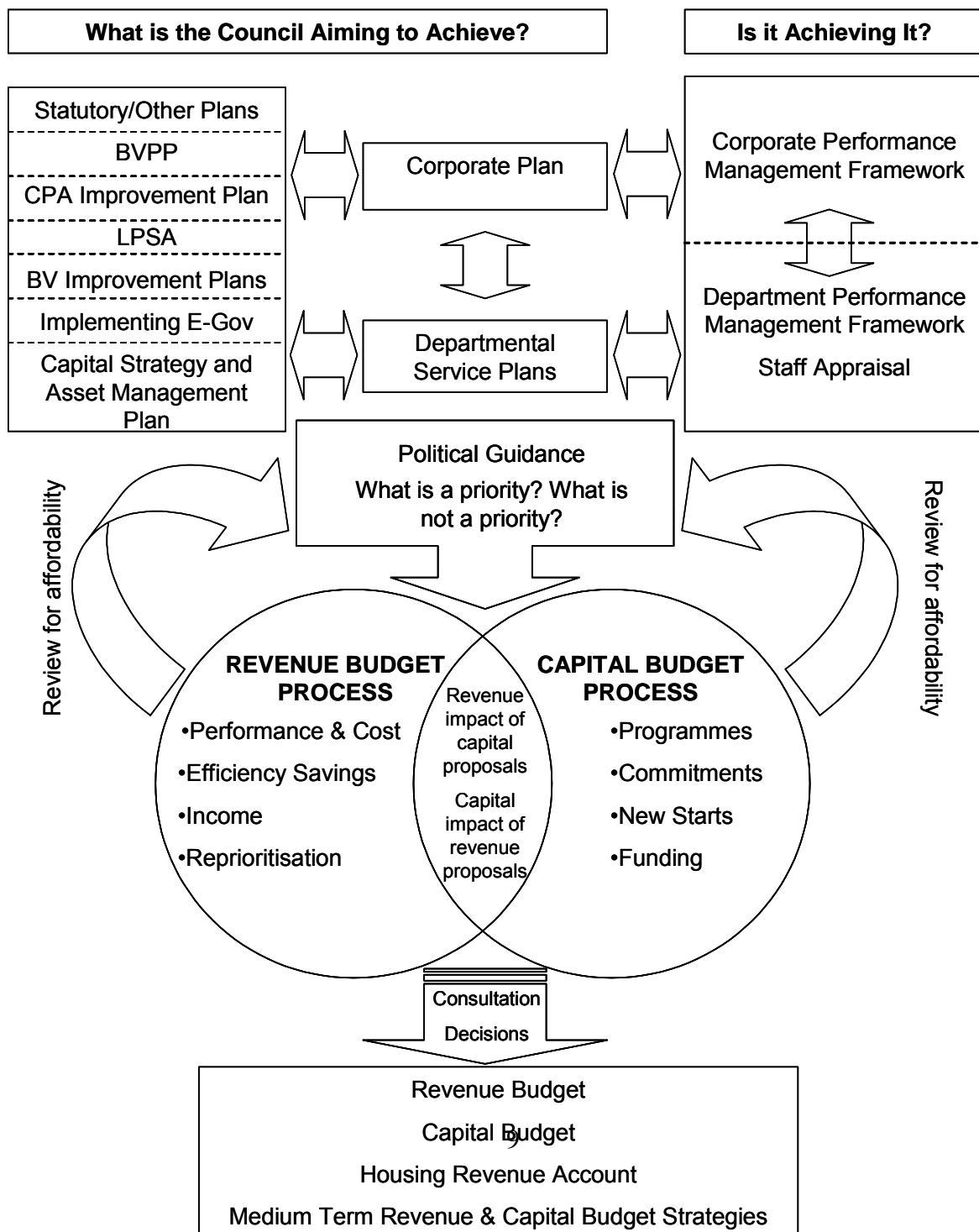
*The Proposed Process for the Revenue Budget and MTRBS*



5.22 It is important to put the financial planning and budget preparation processes in context. Put simply, a Medium Term Budget Strategy (Revenue and Capital) cannot be developed successfully without a well-formed and meaningful set of strategic objectives, priorities (and what is not a priority) and a clear performance management framework. On a practical level, the further development of the MTBS will inevitably be an iterative process balancing strategic and service priorities, targets with resources, affordability, and customer satisfaction.

5.23 Figure 3 shows how the medium term financial planning and budget preparation processes are to be linked progressively with other developing processes within the Council (based on the framework described in the Council's Best Value Performance Plan (BVPP)).

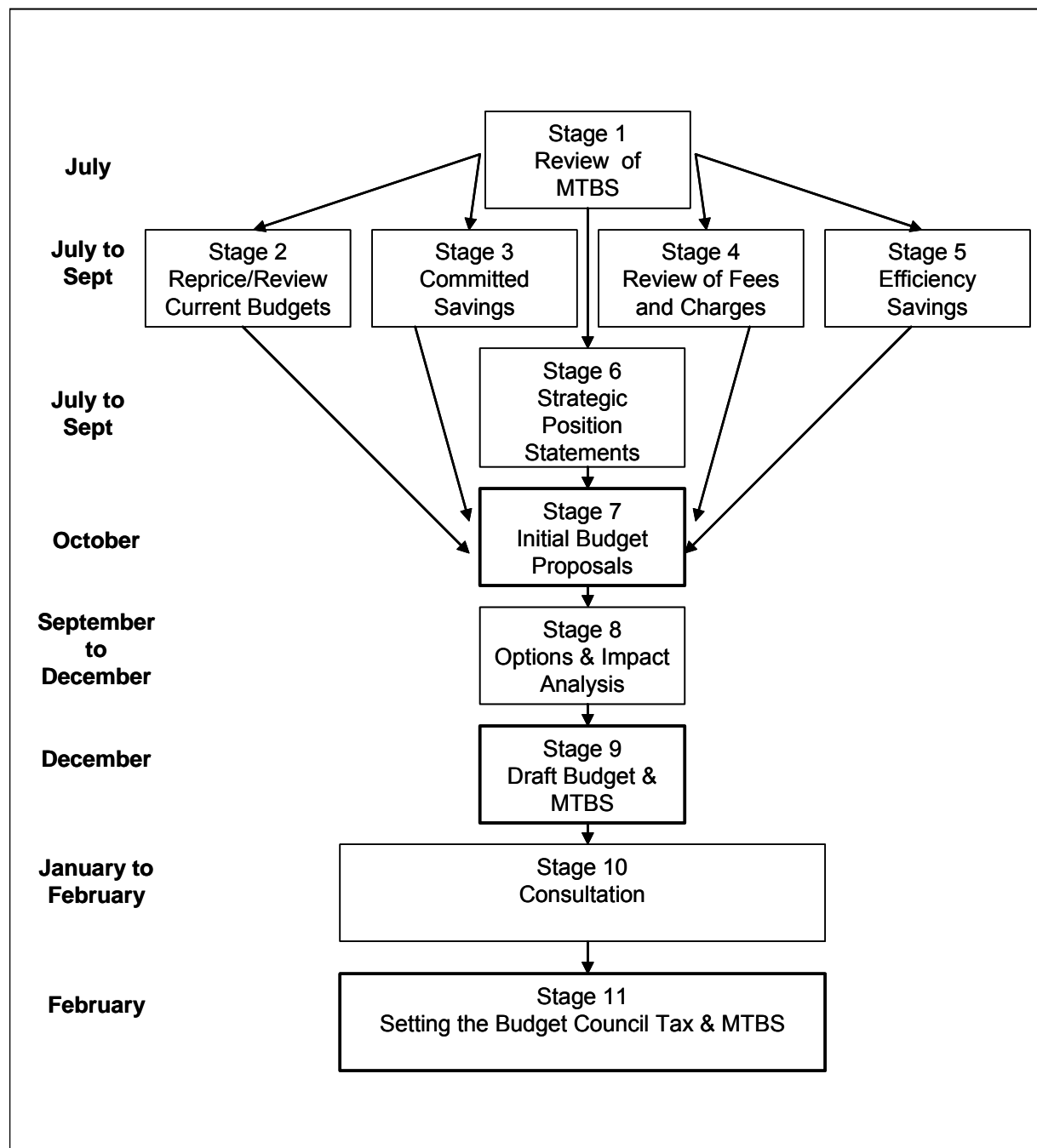
**Figure 3: Key Corporate Processes to Drive the Budget and MTBS**



5.24 Officers and members will need to drive the key processes over the coming months to ensure the key links are made with the budget process and built upon in future years.

5.25 Figure 4 outlines the proposed budget process showing the key reviews and preparation of information by Executive Directors and their managers and key political decision points (in bold boxes).

**Figure 4: Proposed Approach to Developing the Revenue Budget and MTRBS**



5.26 The proposed approach aims to deal with the traditional areas of reviewing budgets in the light of the most recent outturn, putting base budgets right based on current policies and service levels, optimising income, and identifying target efficiency and procurement savings.

5.27 The process also has some new features, including:

- identifying the key policy and service budgets to improve presentation and the Council’s revised scheme of virement to be proposed under the current review of the financial regulations;
- an incentive based approach to efficiency savings which leaves 25% of the saving with the department to re-invest in their services (including growth);
- linking what is to be achieved or improved to resources through the strategic position statements which in turn will support the current development of service planning and performance management;
- focusing management and member effort on changes to services linked to corporate priorities through the strategic position statements; and
- building in a risk assessment into the options and impact analysis.

5.28 While Figure 4 outlines the key officer processes and key political decision points, there is also a need to be clear about the member processes that are the key to approving the budgets.

5.29 Figure 5 outlines suggestions about the key member processes in considering revenue budget proposals based on the current decision making processes and working groups.

**Figure 5: Outline Member Processes for Developing the Revenue Budget and MTRBS**

Key Stage	Officer Milestone	Consideration by:				
		Individual Portfolio Holders	BRWG	Overview & Scrutiny Committee	Cabinet	Council
Stage 1 Review of MTRBS	End Aug	Mid Sept	Oct/Nov	-	Oct	-
Stage 2 Re-price/Review Current Budgets	Mid Sept	End Sept	Oct/Nov	-	Oct	-
Stage 3 Committed	Mid Sept	End Sept	Oct/Nov	-	Oct	-

Savings						
Stage 4 Review of Fees and Charges	Mid Sept	End Sept	Oct/Nov	-	Oct	-
Stage 5 Efficiency Savings	Mid Sept	End Sept	Oct/Nov	-	Oct	-
Stage 6 Strategic Position Statements	End Aug	End Sept	Oct/Nov	-	-	-
Stage 7 Initial Budget Proposals		End Sept	Oct/Nov	-	Oct	-
Stage 8 Options & Impact Analysis	Mid Nov	End Nov	-	-	-	-
Stage 9 Draft Budget & MTBS	Mid Nov	End Nov	Jan	Jan	Dec	-
Stage 10 Consultation	-	-	-	-	Jan	-
Stage 11 Setting the Budget Council Tax & MTRBS	-	-	-	-	Feb	Feb

5.30 If these suggested processes are accepted, the Leader, Chairs of the BRWG and Overview and Scrutiny supported by the relevant officers will need to carry out some detailed planning to ensure budget matters are considered at the appropriate time in the overall process.

*The Proposed Process for the Capital Budget and Medium Term Capital Budget Strategy (MTCBS)*

5.31 The Council's Asset Management Plan is on the agenda of this meeting of the Cabinet. The Council's Capital Strategy was rated as good last year and does not need to be re-submitted to the Office of the Deputy Prime Minister (ODPM). It is therefore proposed that the Strategy be updated in the light of the approved AMP and the capital programme process over the summer and then updated soon after the agreement of a MTCBS.

5.32 Figure 6 shows the current five block structure of the capital investment programme.

**Figure 6: Current Structure of the Capital Investment Programme**

<b>Block A</b> Capitalised Expenditure Highways Schools' Repairs Flood Prevention Traffic Management
<b>Block B</b> Annual Rolling Programmes High Priority Maintenance Works Adaptations to Homes of the Disabled Disability Discrimination Act Works Improvement Grants Health and Safety Works
<b>Block C</b> New Harrow Project Schemes
<b>Block D</b> Asset Management Plan Projects
<b>Block E</b> Specific Funding

5.33 The capital investment programme is driven by the Capital Strategy and Asset Management Plan. However, the development of the capital programme needs to be improved by:

- being more medium to long term in its outlook with the flexibility to accelerate schemes/programmes or add schemes should resources allow;
- better information about the cash flow phasing and risks of projects;
- better information about the key milestones in the physical progress of schemes and programmes;
- a clearer link between strategic and service objectives and schemes and programmes within the investment programme; and
- a proportionate process for smaller projects compared with large schemes and programmes together with the flexibility to respond to needs arising during the year for small schemes.

5.34 The developments in the structure of the Capital Investment Programme for the forthcoming year include:

- the development of a medium term capital budget strategy (MTCBS);

- revised capital Investment criteria to address the currently perceived bias towards savings and external funding;
- the establishment of a separate Invest To Save Block with its own appraisal criteria to encourage investment in schemes that produce cash revenue savings or prevent additional spending already contained in the revenue MTBS;
- the establishment of a block for small capital schemes of up to £50,000 each which are not in any other blocks and in order to respond flexibly during the year, for example, where essential equipment fails. The authorisation of spending from this block is proposed to be delegated to the Executive Director (Business Connections) in consultation with the Council’s Chief Financial Officer to ensure sufficient resources exist;
- the ability of managers to establish regular contributions from their revenue budgets for the replacement of assets (particularly equipment);
- additional information to improve the monitoring of the physical and financial progress of the scheme year on year rather than at total scheme cost level; and
- a prioritised reserve list of schemes for addition to the capital programme should additional resources be available.

5.35 The proposed future structure of the capital programme is shown in Figure 7.

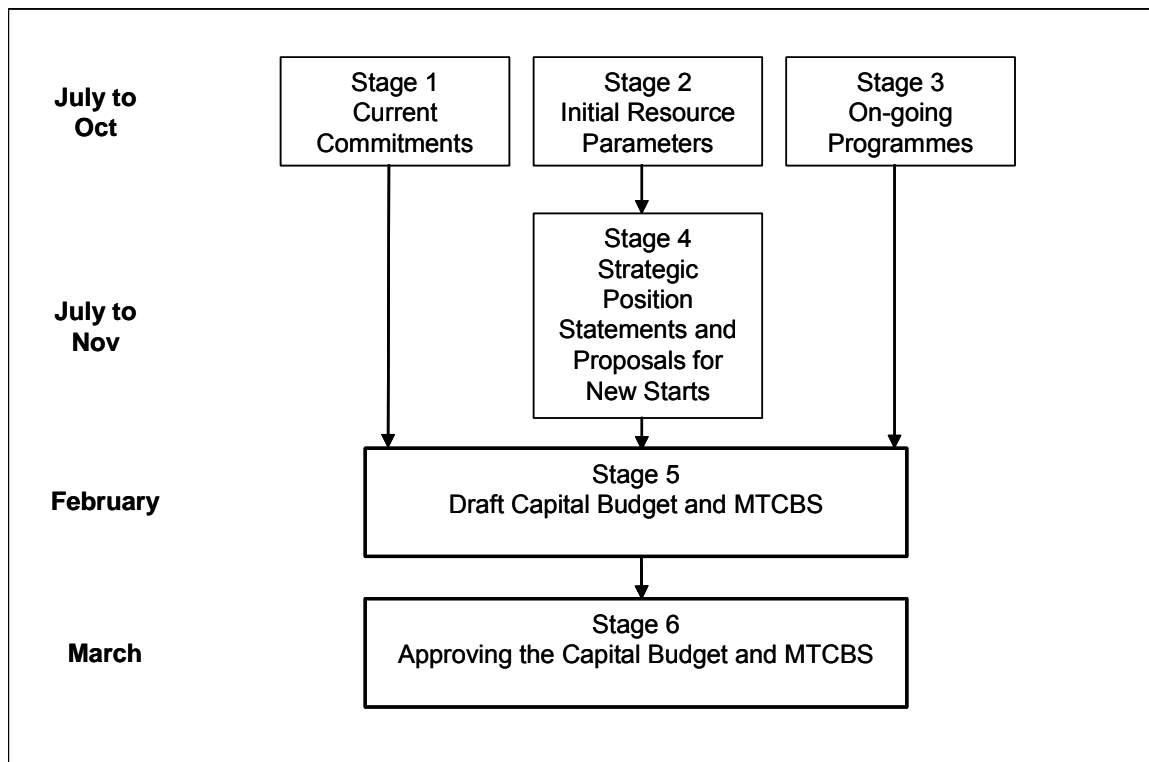
**Figure 7: Proposed Future Structure of the Capital Investment Programme**

<p><b>Block A</b>  Annual Rolling Programmes  Highways Maintenance (LBH Funding)  Schools’ Repairs  Flood Prevention  Traffic Management  High Priority Maintenance Works (Asset Management Plan)  Adaptations to Homes of the Disabled  Disability Discrimination Act Works  ICT Investment Programme  Improvement Grants  Disability Discrimination Act Programme  Health and Safety Works</p>
<p><b>Block B</b>  New Harrow Project – Public Realm Schemes (Committed Schemes and New Starts)</p>
<p><b>Block C</b>  Other Asset Management Plan Projects (Committed Schemes and New Starts)</p>

<b>Block D</b> Specific Funding (Committed Schemes and New Starts)
<b>Block E</b> Invest to Save (Committed Schemes and New Starts)
<b>Block F</b> Small Schemes (less than £50,000)

5.36 Figure 8 outlines the proposed capital budget process showing the key reviews and preparation of information by Executive Directors and their managers and key political decision points (in bold boxes).

**Figure 8: Proposed Approach to Developing the Capital Budget and MTCBS**



5.37 Figure 8 outlines suggestions about the key member processes in considering capital budget proposals based on the current decision making processes and working groups.

**Figure 8: Outline Member Processes for Developing the Capital Budget and MTCBS**

Key Stage	Officer Milestone	Consideration by:				
		Individual Portfolio Holders	BRWG	Overview & Scrutiny Committee	Cabinet	Council
Stage 1 Current Commitments	End Sept	End Oct	Jan	-	Nov	-
Stage 2 Initial Resource Parameters	End Sept	-	Jan	-	Nov	-
Stage 3 On-going Programmes	End Sept	End Oct	Jan	-	Nov	-
Stage 4 Strategic Position Statements and Proposals for New Starts	End Sept	End Oct	Jan	-	Nov	-
Stage 5 Draft Capital Budget and MTCBS	-	Jan	March	March	Feb	-
Stage 6 Approving the Capital Budget and MTCBS	-	-	-	-	April	-

5.38 Again, if these suggested processes are accepted, the Leader, Chairs of the BRWG and Overview and Scrutiny supported by the relevant officers will need to carry out some detailed planning to ensure budget matters are considered at the appropriate time in the overall process.

*Budget Timetable and Guidelines*

5.39 The proposed budget timetable at Appendix 2 is designed to reflect the approach outlined in this report and to meet the Council’s statutory and constitutional requirements. More detail about the components of the approach can be found in the budget guidelines at Appendix 3.

**6. Consultation**

6.1 Consultation on the budget both with stakeholders and within the Council is a valuable and central part to the budget process and the Council’s values.

6.2 In developing its approach, the Cabinet needs to take into account the guidelines published by Office of the Deputy Prime Minister – Council Tax Consultation: Guidelines for Local Authorities. These guidelines, whilst not mandatory, outline “the different methods and issues local authorities should



consider when designing their own individual approach to Council Tax consultation”.

6.3 The key strategic consultation issues raised in the guidelines include:

- budget consultation should be part of the Council’s wider consultation strategy;
- the authority needs to be clear about which choices and options are going to be presented to the public;
- ensure consultees have sufficient time to consider the options and the information;
- targeting consultation to stakeholders (e.g. established business, voluntary or community groups), the general public and hard to reach groups;
- using a variety of methods of communicating and consulting on the budget and Council Tax;
- feeding back the what has been decided in the light of the consultation; and
- considering a 2 stage approach – the first based on broad priorities and directions - the second running for several weeks and based upon more precision about funding and more detailed budget options.

6.4 The consultation process for the budget and Council Tax is arguably the area needing the most improvement compared to previous years, including the presentation of information and the channels and methods used for consultation.

6.5 It is proposed that the Executive Director (Business Connections) brings a report to the September meeting of the Cabinet detailing the possible ways forward to improving the consultation process.

## **7. Finance Observations**

7.1 This report of deals with financial matters throughout.

## **8. Legal Observations**

8.1 The Council has a statutory duty under Section 30 of the Local Government Finance Act 1992 to set a balanced budget and set a Council Tax before the 11<sup>th</sup> March for the forthcoming financial year.

8.2 The current Local Government Bill which is likely to become law within the calendar year also places new statutory and personal duties on the Council’s Chief Financial Officer to report formally on:

- the robustness of the budget estimates; and

- the adequacy of reserves allowed for in the budget proposals.

8.3 The current Local Government Bill also contains new general powers to enable local authorities to charge for discretionary services within guidance to be published by the Office of the Deputy Prime Minister to coincide with the introduction of the new power. This is reflected in the proposed budget process and budget guidelines.

## **9. Conclusion**

9.1 While the Council made significant improvements in its medium term financial planning and budget preparation for 2003-04 more needs to be done in terms of driving these processes from a clear and precisely articulated set of corporate priorities (and what is not a priority) and a strengthened service planning and performance management framework which are now underway.

9.2 This report proposes a financial planning and budget process, timetable and guidelines to improve on last year's process.

## **Background Papers**

- The Council's Constitution.
- The Council's Budget 2003-04 and Medium Term Budget Strategy 2003-04 to 2005-06, decisions by Council, 27<sup>th</sup> February 2003.
- Budget Proposals 2003-04 for Consultation, report to Cabinet 10 December 2002.
- Proposed Budget Process and Timetable 2003-04, report to Cabinet, 10 September 2002 and associated minutes.
- Annual Management Letter, District Audit, January 2003.
- Government's Comprehensive Spending Review (CSR 2002).
- Council Tax Consultation: Guidelines for Local Authorities (ODPM).
- Improvement and Development Agency (IDeA) Peer Review report – reported to Cabinet 15 October 2002 and December 2002.
- Audit Commission's Corporate Assessment and Comprehensive Performance Assessment – December 2002.
- Draft Guidance on the Use of the Proposed General Power to Enable Local Authorities to Charge for Discretionary Services and on the Calculation of Charges, ODPM, March 2003.

Anyone wishing to inspect the background papers should telephone 020 8424 116

## **FOR DECISION**

Joyce Markham  
Chief Executive

Nick Bell  
Executive Director (Business Connections)

Richard Szadziewski  
Interim Director of Finance

### **Authors**

Richard Szadziewski, Interim Director of Finance, Tel: 020 8424 1165 (Mon-Weds)  
e-mail [richard.szadziewski@harrow.gov.uk](mailto:richard.szadziewski@harrow.gov.uk)

John Fenwick, Chief Accountant, Tel: 020 8424 1166 e-mail  
[john.fenwick@harrow.gov.uk](mailto:john.fenwick@harrow.gov.uk)

**BUDGET AND POLICY FRAMEWORK PROCEDURE RULES**

**1. The framework for Executive decisions**

The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the Executive to implement it.

**2. The Process for the Development of the Budget**

**Timetable and consultation**

- (a) Before the publication of any draft budget proposals, the Executive shall propose and Council agree a timetable for the consideration of the budget. The timetable shall accord with these Rules and shall also detail the intended process for consultation on the budget with local stakeholders and others;
- (b) The Executive will publish draft proposals for the following year's budget by no later than 1st November in any year;
- (c) The Executive shall then arrange appropriate consultation on these draft budget proposals with local stakeholders and others as agreed by the Council under (a) above. Details of the consultation process shall be included in the forward plan of the Authority.

**Reference to the Overview and Scrutiny Committee**

- (d) The draft budget proposals of the Executive shall also be referred to the Overview and Scrutiny Committee for advice and consideration. A copy of the proposals shall be sent as soon as available to all members of that Committee.
- (e) The Overview and Scrutiny Committee may conduct further consultation as it considers appropriate except that this should not duplicate any consultation already carried out or proposed to be carried out by the Executive.
- (f) The Overview and Scrutiny Committee shall report to the Executive on the outcome of their consideration of the draft budget proposals and may make such recommendations, as it considers appropriate. The Executive must consider any report or recommendations made by the Overview and Scrutiny Committee before it submits its budget to the Council for approval. When making its report to the meeting of the Council on the budget the Executive must state how it has taken into account any recommendations from the Overview and Scrutiny Committee.

**Consideration of the budget by the Council**

- (g) The Council may:
  - adopt the budget proposals of the Executive;
  - may amend them;
  - refer them back to the Executive for further consideration; or

- substitute its own proposals in their place;
- (h) A decision by Council to adopt the proposals comes into effect immediately.
- (i) A decision to amend, refer back or substitute the proposals shall come into effect after five clear working days from the day on which the Council meeting makes its decision unless the procedure in (j) below is invoked by the Leader.
- (j) In circumstances where the Executive budget proposals have been amended or substituted and before the expiry of the five clear working days period, the Leader of the Council may give notice to the Borough Secretary and Solicitor to the Council that he or she objects to some or all of the amendments made by the Council. The decision of the Council shall not then come into effect until the completion of the procedure in sub-paragraph (k) below;
- (k) When the Leader of the Council gives notice to the Borough Secretary and Solicitor to the Council under sub-paragraph (j) above or where the Council has decided to refer the budget back to the Executive the Borough Secretary and Solicitor shall
  - (i) arrange for a meeting of the Executive to consider the proposals made by the Council. The Executive may:
    - agree with the proposals of Council;
    - reject the proposals of Council;
    - make further amendments.
  - (ii) following the meeting of the Executive, convene a further meeting of Council to give further consideration to the budget. The further meeting of the Council shall be called for the Thursday that is not more than 14 calendar days nor less than 7 calendar days after the giving of notice by the Leader, and shall commence at 7.30 p.m., unless agreement is reached by the Chair and the Leaders of all political groups on the Council to an alternative date or time;
- (l) The Council at its further meeting to consider the budget can agree the proposals of the Executive or can amend the proposals. Their decision is then effective immediately.

### **Budget variation**

- (m) When approving the budget the Council shall also specify the extent of virement within the budget and controls (if any) on the use of contingencies and reserves which may be undertaken by the Executive in accordance with paragraphs 6 of these Rules. The Executive may not make any other changes to the budget determined by the Council.

### **After setting the budget**

- (n) As soon as practicable after the determination of the budget the Executive shall publish and make available to the public information on the budget determined for the following Municipal Year;

<b>PROPOSED BUDGET TIMETABLE 2004-05</b>	
<b>Key Milestones</b>	<b>Activities</b>
15 <sup>th</sup> July 2003	Cabinet considers and proposes to Council Service & Financial Planning process and timetable for 2004-05. Cabinet approves Budget Guidelines.
July 2003	CMT/Executive Directors with individual Portfolio Holders review current MTRBS and roll out to a further year (2006-07). External Audit review of current MTRBS.
July – August 2003	CMT/Executive Directors with individual Portfolio Holders agree proposed Policy Budget Headings for the purposes of improved budget presentation, the preparation of strategic position statements and the scheme of virement.
July – end Sept 2003	CMT/Executive Directors with Individual Portfolio Holders: <ul style="list-style-type: none"> <li>▪ re-price/review current budgets;</li> <li>▪ identify target/committed savings;</li> <li>▪ fees and charges;</li> <li>▪ identify efficiency savings;</li> <li>▪ prepare and analyse strategic position statements.</li> </ul>
July – end Oct 2003	CMT/Executive Directors with Individual Portfolio Holders: <ul style="list-style-type: none"> <li>▪ develop initial capital resource parameters;</li> <li>▪ establish current capital programme commitments;</li> <li>▪ analyse on-going programme budgets in the capital programme;</li> <li>▪ develop potential bids for new starts in the capital programme.</li> </ul>
9 <sup>th</sup> September 2003	Cabinet approves approach to consultation on budget, Council Tax and MTBS.
October/November 2003	CMT/Executive Directors with Individual Portfolio Holders undertake Options and Impact Analysis on basis of priorities (and what is not a priority) and draft high level budget proposals initial bids for new starts in the capital programme arising from the analysis of strategic position statements
15 <sup>th</sup> October 2003	Cabinet considers: <ul style="list-style-type: none"> <li>▪ review of MTRBS;</li> <li>▪ agrees base budget;</li> <li>▪ efficiency savings;</li> <li>▪ fees and charges;</li> <li>▪ high level budget proposals.</li> </ul>
23 <sup>rd</sup> October 2003	Council approves budget timetable.
11 <sup>th</sup> November 2003	Cabinet considers: <ul style="list-style-type: none"> <li>▪ initial capital resource parameters</li> <li>▪ current capital programme commitments;</li> <li>▪ on-going programme budgets in the capital programme;</li> <li>▪ initial bids for new starts in the capital programme.</li> </ul>
1 <sup>st</sup> week December 2003	Provisional Finance Settlement received.

## PROPOSED BUDGET TIMETABLE 2004-05

Key Milestones	Activities
2 <sup>nd</sup> week December 2003	Cabinet receives details of the provisional finance settlement and refines proposed budget for consultation. Briefing Note to Members on provisional finance settlement and briefing BRWG (with open invitation to other Members).
16 <sup>th</sup> December 2003	Cabinet approves draft budget and MTRBS for consultation (including the schools budget to be advised to the Secretary of State and to school governing bodies). Cabinet approves Council Tax Base.
23 <sup>rd</sup> December 2003	Latest date to approve budget consultation material.
29 <sup>th</sup> December 2003 to February 7 <sup>th</sup> 2004	Receipt of capital settlement including Single Capital Pot. Consultation period (6 weeks).
13 <sup>th</sup> January 2004	Cabinet approves deficit/surplus on Collection Fund. Cabinet recommends to Council 2004-05 Council Tax Base for Tax Setting purposes. Cabinet reconsiders and recommends to Council the proposed schools budget (if necessary) in the light of further information and recommends to Council.
22 <sup>nd</sup> January 2004	Council agrees the proposed amount of the schools budget for notification to the Secretary of State. Council agrees 2004-05 Council Tax Base for Tax Setting purposes.
27 <sup>th</sup> January 2004	Overview and Scrutiny to consider initial budget proposals.
By 31 <sup>st</sup> January 2004	Executive Director (Business Connections) to notify precepting and levying bodies of Council Tax Base. Executive Director (People First) gives notice of the Council's determination of the schools budget to the Secretary of State and to the governing bodies.
End January 2004	Final finance settlement received.
Mid-February 2004	Details of GLA Precepts and other levies received
17 <sup>th</sup> February 2004	Cabinet: <ul style="list-style-type: none"> <li>▪ Receives details of the finance settlement;</li> <li>▪ Receives responses from consultation;</li> <li>▪ Considers budget proposals including advice on robustness of estimates and adequacy of balances;</li> <li>▪ Recommends 2004-05 revenue budget, Council Tax and MTRBS to Council;</li> <li>▪ Considers Draft 2004-05 capital budget and MTCBS.</li> </ul>
26 <sup>th</sup> February 2004	Council approves: <ul style="list-style-type: none"> <li>▪ 2004-05 revenue budget and MTRBS 2004-05 to 2006-07;</li> <li>▪ 2004-05 Council Tax;</li> <li>▪ Housing Revenue Account budget and rents 2004-05 (if applicable – ALMO).</li> </ul>
End February 2004	Council Tax billing begins.
By end March 2004	Schools and budget managers notified of budgets.
20 <sup>th</sup> April 2004	Cabinet approves capital budget 2004-05 & MTCBS.