

Item No. 6	Classification: Open	Date: 06/05/2004	MEETING NAME Overview and Scrutiny Committee
Report title:		Budget and Policy Framework Procedure Rules	
Ward(s) or groups affected:		All	
From:		Finance and Economic Development Scrutiny Sub-Committee [7 April 2004]	

RECOMMENDATION(S)

1. That the report to the Finance and Economic Development Scrutiny Sub-Committee from the Borough Solicitor (Appendix 1) be noted by Overview and Scrutiny Committee.
2. That the change in procedure outlined in paragraph 6 of the report be adopted; i.e. that in future years, Overview and Scrutiny's response on Budget Scrutiny will be incorporated in the Executive's referral to Council.
3. That Overview and Scrutiny Committee be invited to consider the budget-making procedure rules carefully as input into:
 - a) Changes to the Southwark Constitution
 - b) Budget and Scrutiny arrangements.

BACKGROUND INFORMATION

4. On 9 February 2004, the Finance and Economic Development (FED) Scrutiny Sub-Committee provided recommendations for the Budget Setting Process for 2004/05. The Overview and Scrutiny Committee considered the Sub-Committee's recommendations on 10 February 2004 - the same day the recommendations were considered by the Executive. The timeframe for setting the budget had been tight, due both to statutory guidelines and to late changes to the provisional budget by central government.
5. The Sub-Committee was disappointed that the recommendations made by Overview and Scrutiny and its sub-committees had only been 'noted' by the Executive and not explicitly included in the report from the Executive to Council Assembly. [The Assistant Chief Executive subsequently reassured the Sub-Committee that officers would do what they could to support what the Sub-Committee had proposed for 2005/06 in relation to budget-setting.]
6. At their meeting on 9 March 2004, the Sub-Committee raised concerns that the current Budget and Policy Framework Procedures in the *Southwark Constitution 2003/04* might, in some circumstances, prevent efficient and timely making of the budget and setting of the Council tax.
7. Furthermore, the issue was raised about whether, in respect of budget-making for 2004/05, there had been compliance with paragraphs 2(b) and 2(e)-(k) of the Budget and Policy Framework Procedure Rules. These paragraphs outline Southwark's mechanism for resolving disputes between Executive and Council Assembly when setting the budget and policy framework.

8. The Sub-Committee invited the Borough Solicitor to address these issues. The Borough Solicitor's response, attached as Appendix 1, was discussed at the FED Scrutiny Sub-Committee meeting of 7 April 2004.

KEY ISSUES FOR CONSIDERATION

9. In terms of compliance with paragraphs 2(b) and 2(e)-(k) of the Budget and Policy Framework Procedure Rules in the Southwark Constitution, the Borough Solicitor's report gave assurance that paragraphs 2(e)-(k) were complied with during the budget setting process for 2004/05 (refer to Appendix 1).
10. However, there was some dispute as to whether paragraph 2(b) was adequately complied with. This relates to the Executive's requirement to draw up firm proposals having regard to responses to the consultation, including comments from the Overview and Scrutiny Committee and sub-committees. To address this, the Borough Solicitor's report said that in future, Overview and Scrutiny's response would be incorporated in the Executive's referral to Council Assembly.
11. Further, particular constraints identified by the Sub-Committee in relation to the timely making of the budget were:
- a wide and inclusive consultation framework
 - the need to allow for situations in which the Council Assembly wished to amend the Executive's budget proposals.

The Overview and Scrutiny Committee may wish to consider these constraints when given future opportunities to provide input into revisions to the Southwark Constitution and Budget and Scrutiny arrangements.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Finance and Economic Development Scrutiny Sub Committee: Agendas and Minutes	Scrutiny Team Rm 3.16, Town Hall, Peckham Road, London SE5 8UB	Carina Kane Scrutiny Project Manager Tel: 0207 525 4393

APPENDIX A

Audit Trail

Lead Officer	<i>Shelley Burke</i>	
Report Author	<i>Carina Kane</i>	
Version	<i>Final</i>	
Dated	<i>27/04/04</i>	
Key Decision?	<i>No</i>	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	Yes	N/A
Chief Finance Officer	No	No
Chief Officers	No	No
Executive Member	No	No
Date final report sent to Constitutional Support Services	<i>27/04/04</i>	

APPENDIX 1:

Item No. 3	Classification: Open	Date: 7 April 2004	MEETING NAME Finance & Economic Development Scrutiny Sub-committee
Report title:		<i>Budget and Policy Framework Procedure Rules</i>	
Ward(s) or groups affected:		All	
From:		Borough Solicitor and Secretary/ Chief Finance Officer	

RECOMMENDATION(S)

1. That the Finance and Economic Development Scrutiny Sub-Committee notes the contents of this report.

BACKGROUND INFORMATION

2. The Finance and Economic Sub-committee noted at its meeting on 9 March that it is concerned that the current Budget and Policy Framework Procedures in the Southwark Constitution 2003/04 might, in some circumstances, prevent efficient and timely making of the budget and setting the Council tax. They invited the Borough Solicitor to address this issue with some urgency.
3. Furthermore, the issue was raised about whether, in respect of budget-making for 2004/05, there had been compliance with paragraphs 2(b) and 2(e)-(k) of the Budget and Policy Framework Procedure Rules.

KEY ISSUES FOR CONSIDERATION

The Budget and Policy Framework Procedure Rules – Do they prevent efficient making of the budget?

4. Paragraphs 2(e)-(k) of the Budget and Policy Framework Procedure Rules outlines Southwark's mechanism for resolving disputes between the Executive and Full Council when setting the budget and policy framework. Such a mechanism is required under Schedule 2 to the Local Authorities (Standing Orders) (England) Regulations 2001. The Department of the Environment, Transport and the Regions (DETR) published guidance on *New Council Constitutions: Local Government Act 2000 Guidance to English Local Authorities* in October 2000. That guidance provides advice to local authorities on conflict resolution in setting the budget and policy framework. The procedure provided in the Southwark Budget and Policy Framework Procedure Rules closely reflects the illustrative example of a conflict resolution process that is provided in the DETR guidance. The Borough Solicitor considers that the mechanism, currently provided for in the procedure rules, is an important process that allows for the Executive to react to last minute amendments to the budget which they may not have provided for.

The budget-making process for 2004/2005 – were the rules complied with?

5. The 2004/05 Budget Setting Process involved exceptionally tight time frames. The date of 18th February 2004 had been agreed to set the Council Tax and GLA precept and agree the Capital investment strategy. The budget timetable was condensed following the announcement of further funding by the Chancellor of the Exchequer in December. This followed the provisional budget settlement in November. The budget settlement was not completely finalised until 5th February 2004 which condensed the time frames further. Paragraph 2(a) of the Budget and Policy Framework Procedure Rules provides for a condensed consultation period to allow for sufficient time for statutory deadlines to be met.
6. With regard to Para 2(b) of the Budget and Policy Framework Procedure Rules to avoid any uncertainty in the future, Overview and Scrutiny's response on Budget Scrutiny will be incorporated in the Executive's referral to Council. In the 2004-05 budget process the Overview and Scrutiny Committee gave its response to the Executive on the 10th February 2004. Subsequent to this the Executive made amendments to their budget proposals both on the 10th February and at Council on the 18th February.
7. Paragraphs 2(e)-(k) of the Budget and Policy Procedure Rules were fully complied with.

Involvement of Financial and Economic Development Scrutiny Subcommittee in the Budget Setting Process

8. The Executive has overall responsibility for preparing the draft budgets, plans and strategies for submission to full council. There is a statutory requirement in *The Local Authorities (Functions and Responsibilities) (England) Regulations 2000* on the Executive to adopt an inclusive approach to preparing the draft budget. As part of that process Overview and Scrutiny may wish to provide earlier input into the budget making process.

Legal Implications

Legal Implications are contained in the body of this report.

Audit Trail

Lead Officer	<i>Borough Solicitor</i>	
Report Author	<i>Rebecca Vink</i>	
Version	<i>Final</i>	
Dated	<i>02/4/04</i>	
Key Decision?	<i>No</i>	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
Executive Member	No	No