

## **Appendix H**

### **Monitoring Officer Advice on the Budget Setting Report**

#### **Introduction**

This advice supplements the legal implications that specifically relates to the decisions to be made on the budget. This appendix sets out in some detail members' responsibilities to set a legal budget and how members should approach the task. It also reminds members about the rules concerning disclosable pecuniary interests. There is significant level of detail but this is because the budget is the most significant decision the Council will make each year and the setting of the Council Tax has implications for all residents.

#### **Members' Fiduciary Duties**

The Council must set a balanced budget in each year. The obligation to make a lawful budget each year is shared equally by each individual member. In discharging this obligation, members owe a fiduciary duty to the council tax payer. This means the Council's resources must be used to their best advantage including:

- Expenditure must be on items within the Council's powers
- Expenditure on lawful items must be prudent and any forecasts or assumptions such as rates of interest or inflation must themselves be rational
- The budget setting powers must be used in good faith and for the purposes conferred, i.e. the delivery of the duties and powers of the Council for the benefit of the residents of Newham.
- Members must have regard to the level of Council Tax necessary to sustain it
- Members must have regard to the advice of the Chief Finance Officer and Monitoring Officer.

Within this overall framework, there is considerable scope for discretion. Members will bear in mind that in making the budget, commitments are being entered which will have an impact on future years. Some such commitments are susceptible to change in future years, such as staff numbers which are capable of upward or downward adjustment at any time. Other commitments, however, impose upon the Council future obligations which are binding and cannot be adjusted, such as loan charges to pay for capital schemes.

Party loyalty and party policy are capable of being relevant considerations for the individual member when setting the budget provided the member does not blindly follow the party line without considering the relevant factors and professional advice and without properly exercising any real discretion.

Members should take into account the advice of the Chief Finance Officer (the Chief Operating Officer) and the Monitoring Officer (Deputy Director of Governance and Law).