

**ANGUS COUNCIL**

**MEETING OF ANGUS COUNCIL – 14 MAY 2015**

**DEVELOPMENT OF PRIORITY BASED BUDGETING**

**REPORT BY THE HEAD OF CORPORATE IMPROVEMENT & FINANCE**

**ABSTRACT**

This report asks members to approve changes to how the Council prepares its revenue and capital budgets so that the Council has a priority based approach to the allocation of scarce budget resources which focuses on the outcomes that investment achieves. Through the proposed changes the Council will shift its focus to making best use of the 90% of the budget we still have rather than the 10% we need to reduce the budget by to make it balance.

**1. RECOMMENDATION(S)**

It is recommended that the Council:

- a) note the benefits of developing a priority based approach to budget setting as set out in this report;
- b) approve the approach to the development of future revenue and capital budgets as outlined in Section 3 and Appendix 1 of this report with this approach being adopted for the 2016/17 budget setting;
- c) appoint 2 further members of the non-administration to the Policy & Budget Strategy Group;
- d) note that further updates on the detailed development of the proposals in Section 3 and Appendix 1 of this report will be brought to future meetings of the Policy & Resources Committee/Full Council as appropriate.

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

This report contributes as a whole to the local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016. The report's proposals would mean a step change in how the Council ensures its limited resources are targeted at its priorities and the objectives set in the Single Outcome Agreement.

**3. PROPOSALS**

**3.1 The case for change**

There is much to be proud of in how Angus Council has tackled the task of setting its budget over the years – our finances have been well managed, tough decisions have been taken when they needed to be and the process for setting the budget is inclusive, enabling input from elected members and officers throughout leading to a final position. There are however some problems which need to be addressed in an era of rising demand and diminishing resources and opportunities to take what is a very solid foundation to budget preparation and make it better.

**3.2 Where can we make improvements?**

The Policy & Budget Strategy Group (PBSG) has self-assessed current arrangements and identified the following areas where our current budget approach could be improved:-

- a) Member/Officer Group Budget meetings are based around individual Directorates and this risks silo thinking – only the PBSG have the full picture across all Directorates prior to submission of final proposals to the Council. Our budget discussions would be better if they focussed on the Council's budget overall, priority outcomes and key decisions at that level;
- b) The time taken to determine the budget is still significant and the current approach means a lot of attention is given to the detail of individual savings and investments. This means much less time is able to be spent on strategy setting, understanding impact and ensuring priorities are being delivered;
- c) Although it has improved our budget process is not sufficiently policy led, nor is it focussed on outcomes. It can therefore be difficult to fully demonstrate a golden thread from our SOA/Council Plan through to why budget decisions were made;
- d) Elected Members would benefit from a fuller and more rounded picture of performance and impact when making budget decisions, particularly on where best to focus spend and savings. Budget decisions are not routinely made with full information on benchmarking data, customer satisfaction levels, unit costs, service quality, etc. and with diminishing resources the need to make difficult but well informed choices is vital;
- e) Elected Members time in the budget process is often taken up with looking at every saving and investment proposal regardless of its value and significance for priorities. There would be benefit from freeing members time on points of detail to give more time to consider strategic issues and what the Council budget is delivering towards our priorities;
- f) Although it continues to develop through the Angus Community Planning Partnership (ACPP) Resources Group there is an opportunity to integrate more fully the Council's budget process with that of all our partners including our ACPP partners so we achieve meaningful joint budget planning and resource collaboration for service delivery to citizens. This will change considerably under Health and Social Care Integration and is an improvement priority of the Scottish Government which has been endorsed by the ACPP Board; and
- g) The work of the PBSG would benefit from having a wider representation from non-Administration elected members.

Of the above items (c), (d) and (e) are perhaps the most significant in a context of ensuring priorities are clear, making informed choices and delivering best value.

### 3.3 A New Approach Which Leads to Priority Based Budget Setting

Having completed its self-assessment of current arrangements the PBSG has identified a new approach to budget setting which would ensure we have a priority based approach which puts our scarce budget resources to the areas of service which are our highest priorities and delivers the outcomes we want to achieve for local people.

The diagram attached as Appendix 1 sets out the broad intentions of how the new approach would work. Although this new approach would mean some significant changes to how we currently approach our budget setting it which would address all of the points identified in paragraph 3.2 above and enable the Council to demonstrate the adoption of excellent practice in decision making on financial resource allocation.

### 3.4 Main Benefits

The main benefits of the approach outlined in Appendix 1 is that all elected members would have the opportunity to give input and be involved in setting the priorities, strategy and direction at the outset of the budget setting process in order to guide the options looked at, rather than the current approach which tends to look at priorities in making savings choices at the end of the process.

The proposals in Appendix 1 would also mean there is a clear demonstration that the final budget decisions are based on Strategic objectives and plans and a fuller picture of current performance.

Agreeing the Strategy (Stage 1) in Appendix 1 at the outset would give officers more clarity on options which can be considered and which are ruled out. The Strategy should be as clear on what is not a priority as it is on what is a priority.

The draft budget package prepared by officers (Stage 2) in Appendix 1 would take into account savings from both corporate reviews as well as departmental proposals but all should reflect the agreed priorities and focus on the impact we are having in how we are using our resources, i.e. shift the focus on making best use of the 90% of the budget we still have rather than the 10% we need to reduce the budget by to make it balance.

Stages 3 and 4 in Appendix 1 would ensure members have an opportunity to review the draft budget package and make changes before it is formally submitted to Council. Members would still make the final decisions on budgets as is the case now but with a focus on delivery of priorities and outcomes rather than the detail of every individual proposal.

### 3.5 Development of Detail and Fine Tuning

The proposals in Appendix 1 will require some fine tuning and further thinking about detailed delivery in practice and further reports on this will be brought to Policy & Resources Committee/Full Council as appropriate to ensure members are comfortable with how the changes will work. As a new approach, its first time use will inevitably throw up some issues but officers believe that this method will quickly become effective and able to be developed and refined year on year.

### 3.6 Implications for PBSG/PBSG Membership

Under the new approach the PBSG would continue to have a vital role in helping the Council shape its priorities and strategy (Stage 1 in the Appendix) and thereafter would be a sounding board/progress monitoring group while the detail of the draft budget package is being worked on by officers prior to Stage 3.

As highlighted in paragraph 3.2 above the PBSG self-assessment of current arrangements identified a need/opportunity to get a wider representation of non-Administration members to join the Group and provide input and challenge to the process. Accordingly the Council is recommended to appoint another 2 members from the non-Administration to join the PBSG giving 8 elected members in total (4 Administration and 4 non-Administration).

For members information the current membership of the PBSG is as follows:-

- Councillor Gaul as Leader of the Council
- Councillor Valentine and Depute Leader of the Council
- Councillor King as Finance Convenor
- Councillor Duff and Depute Finance Convenor
- Councillor Boyd as a non-administration member/representative
- Councillor Proctor as a non-administration member/representative
- Chief Executive & the 3 Strategic Directors
- Head of Corporate Improvement & Finance & Service Manager (Budgets)
- Head of HR,IT & OD
- Communications Manager

The Group's work is very important to the delivery of the Council's priorities and overall budget strategy and PBSG members would therefore be expected to make every effort to attend each meeting to ensure continuity and maintain good progress with the budget and strategy work required. The nature of the Group's work does not lend itself to having substitute attendance.

### 3.7 Implications for Elected Members

The new approach would see some important changes to elected member involvement in the budget process but all based on members taking the lead over strategy and direction and control over the key budget decisions/choices. Member involvement based on:-

- a) Setting priorities/strategy;
- b) Reviewing draft budget package/seeking refinements; and
- c) Agreeing final package

should be more productive for members and better reflect how they want scarce resources to be allocated.

### 3.8 Implications for Budget Preparation Timetable for 2016/17

It is recommended that the new approach to budget setting outlined in this report and in Appendix 1 be adopted for the 2016/17 budget setting process.

As part of the 2015/16 budget setting, officers indicated an intention to bring forward for members consideration in June 2015 a new 3 year package of savings covering the period 2016/17 to 2018/19 (Report 59/15 refers). Adopting the new approach in this report would therefore mean that the new 3 year package of savings would come forward later in 2015 rather than in June as originally planned. This doesn't create any particular issues and will allow savings decisions to be based on the agreed priorities determined from Stage 1 of the new budget process.

An indicative timetable based on the 4 Stage process set out in Appendix 1 is shown below. This may require some refinement but the intention is to have Stage 1 completed and approved at the Council meeting in September:-

<b>Stage</b>	<b>Completed By</b>
1 – Agreement of Priorities/Overall High Level Strategy	10 September 2015
2 – Draft Budget Package Prepared By Officers	6 November 2015
3 – Draft Budget Package Reviewed by Members and strategy agreed (informally)	27 November 2015
4 – Formal & Final Sign Off of 2016/17 Budget/Council Tax and Years 2 and 3 savings proposals	11 February 2016

### 3.9 Capital Budget and Special Funds

The intention is that the new approach to budget setting outlined in this report would apply to the Council's revenue and capital budgets and decisions on the Council's Special Funds. For revenue purposes a rolling 3 year budget strategy would be in place but for capital a 5 year budget strategy would continue to be in place to recognise the need for longer term capital project planning.

## 4. **FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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