
Meeting: Executive
Date: 18 June 2012
Subject: Budget Process 2011/12
Report of: Cllr Maurice Jones, Portfolio Holder for People, Finance & Governance
Summary: The report proposes the process and timetable for the formulation of the 2011/12 to 2015/16 Medium Term Financial Plan

Advising Officer: Richard Ellis, Director of Customer & Shared Services
Contact Officer: Matt Bowmer, Assistant Director Financial Services
Public/Exempt: Public
Wards Affected: All
Function of: Executive
Key Decision No
**Reason for urgency/
exemption from call-in
(if appropriate)** Not appropriate

CORPORATE IMPLICATIONS

Council Priorities:

The proposed budget process brings together the authority's priorities and financial planning to ensure that finite resources are allocated effectively.

Financial:

None arising directly from this report. The earlier start will enable earlier policy formulation and put Central Bedfordshire in a better position to address the efficiency agenda.

Legal:

None

Risk Management:

None

Staffing (including Trades Unions):

None

Equalities/Human Rights:

None

Community Safety:

None

Sustainability:

None

Summary of Overview and Scrutiny Comments:

- A Scrutiny Task Force was formed to undertake a review of the 2010/11 Budget Process and reported to the Customer & Central Services Overview & Scrutiny Committee on 17 May 2010 with its findings. The recommendations arising from the review, which also include broader financial management matters, are set out in full in Appendix A.

The majority of the proposals are broadly in line with the proposals put forward in the recommendations to the Executive below. The major contrast is in respect of a continuing role for a Scrutiny Task Force. The role of scrutiny in the Executive recommended process lies with the individual Overview & Scrutiny Committees and not with a specific task force.

RECOMMENDATION(S):

That the Executive agree the process set out below and detailed in Appendix A.

Reason for Recommendation(s): Central Bedfordshire commences work on its 2011/12 budget proposals at the earliest opportunity with a clear and timely process to follow.

Executive Summary

Following the review of the 2010/11 budget process proposals have been brought forward for improvements in 2011/12. The agreed process commences earlier, giving greater opportunity for policy development and consultation, ensures resources are aligned with priorities and provides a clearer role for scrutiny.

PURPOSE OF REPORT

1. To review the budget setting process for 2010/11 to 2014/15 to determine an improved approach for 2011/12 to 2015/16. This review has run alongside the work carried out by the Overview & Scrutiny Task Force on this same matter and their recommendations are set in Appendix A.

BACKGROUND INFORMATION

2. The budget setting process for 2010/11 started in July 2009 with the publication of a draft Medium Term Financial Strategy. The strategy gave an update on the economic position, addressed legacy financial issues and emerging ones for Central Bedfordshire and updated the assumptions in the existing Medium Term Financial Plan before considering future options. There were significant pressures identified which gave rise to the need to identify efficiencies at 5%, 7% and 10% of the existing budget. The final section of the Strategy set out the timetable for bringing a budget to Council on 25 February 2010.
3. The first part of this report critically assesses the overall approach for 2010/11 and considers the components of the timetable to give an assessment of what worked well and what not so well. Consequently, the second part of the report proposes the process and timetable for Central Bedfordshire to set its budget for 2011/12 to 2015/16.

REVIEW OF THE 2010/11 PROCESS

When is the start date?

4. The general consensus is that an earlier start is required for 2011/12.
5. There had been some suggestion of a Budget Strategy going to the Executive as early as May or June. There is perhaps more value in a broad timetable going forward in this timeframe with a Budget Strategy to go forward in July or August. Any earlier and the Strategy would have little to add other than an update on the economy, some early assessment of the new Government's plans, including its Emergency Budget scheduled for the end of June and the early outcome from budget monitoring. Savings options will not be available by May/June in a sufficiently robust form to allow for sensible discussion.

How can resources be aligned with priorities?

6. The Council's priorities are broad and all embracing. This did mean that it was difficult to objectively compare savings options in terms of their contribution to the Council's objectives. It may be that the Council retains its five high level priorities but a framework is required against which resources can be more effectively distributed.
7. The approach of identifying 5%, 7% and 10% efficiencies was possibly too arbitrary and the switch to assessing proposals as 'Red', 'Amber' or 'Green' with regard to ease of delivery mid stream had the potential to confuse.

8. It has been acknowledged that there is only so long that individual budgets can be trimmed back. How does Central Bedfordshire determine what it should stop doing and how can efficiencies from business transformation, invest to save, procurement and the migration of service to the contact centre be factored in first?

How can challenge be effective and add value?

9. Given the difficulties faced with Central Bedfordshire's budget in its first year of operation, challenge to budget proposals was not going to be straightforward. The timing of the sessions was naturally difficult with a great deal of attention at this time needing to be spent on realigning budget and spend.
10. The challenge was only at the margins, i.e. pressures, growth and efficiencies and there was not sufficient understanding/challenge of the overall service spend. Also, there was no challenge about which pressures were not being brought forward from the current year's monitoring. This was perhaps borne out of a desire to push the overall pressures figure down
11. There was an initial attempt to bring Value for Money into the session which is right. However, because of its newness, Central Bedfordshire had no robust comparative data which meant that such an exercise could not be conclusive.
12. Challenge does, arguably, need to go a step further and also include performance. This data along with more robust financial benchmarking data should be available for 2011/12.

Was communication good enough?

13. The overall timetable was well communicated at the start of the process but some of the detail arguably emerged as the process progressed. Timetabling the Scrutiny Committees in was definitely problematic. A summary timetable for Members and a more detailed one for officers presented right from the outset would certainly aid performance.
14. A further communication difficulty was that Portfolio Holders were all briefed at different times which created confusion. This issue and that above could be remedied with formal communication from Finance at key milestones.

What involvement was there from Scrutiny?

15. The Overview & Scrutiny Committees were presented with the draft budget but sufficient guidance was not given on their role and the opportunity to scrutinise was not fully exploited.
16. Presentation of the budget to five different Overview & Scrutiny Committees was time consuming but it did mean that the relevant officers were available to be challenged on their proposals. However, this challenge should more appropriately been to the Executive Members given their accountability for savings proposals.

17. Overview & Scrutiny was also attempting to do its job without a full picture. This is the same point raised earlier under Challenge. For 2011/12 they need to be presented with base budget figures, narratives on what services do, workforce data and possibly also performance and other benchmarking data.

Was there sufficient consultation?

18. There was only limited consultation although this was an improvement on the first year and sufficient to satisfy the Audit Commission for Use of Resources. This is an area where more can be done and one of the drivers for an earlier start.
19. There are plenty of straightforward opportunities for improvement here. There was no direct consultation with the Central Bedfordshire Council Tax payers with reliance placed on place and residents surveys. This is a must for next year as is consultation with the Schools Forum and Local Strategic Partnership and use of the Citizen's Panel.
20. Consultation with the Equality & Diversity Forum was well received and gave rise to the work on impact assessments which is an example of good practice. There was also engagement with the Business Community which should also be repeated.

And what of capital?

21. One thing is for certain here, this kicked off far too late. Capital certainly lagged behind revenue in Central Bedfordshire's first year; monitoring has been poor and unpicking the 2009/10 programme left insufficient time to do justice to appraising capital investment needs for 2011/12 and beyond.
22. One flaw to be avoided for the future was the continuous re-presenting of the figures and narrative. It is essential for 2011/12 that a consistent approach is in place from the outset with scoring and narratives provided just the once.
23. On the plus side, there was a concerted effort to arrest a highly aspiration and unaffordable programme which does give a better base to work with.
24. Capital receipts will continue to be in short supply, and a number of options are being explored to address this including assessing the benefits of working with development partners to bring forward Local Development Framework land to planning approval status and sale.

PROPOSED PROCESS FOR 2011/12

Timetable

25. There is broad acceptance that the budget process needs to start earlier for 2011/12 and that a clearer process is required with a robust timetable.
26. A detailed timetable beyond Council approval of the budget in February 2011 through to the Council Tax billing and publication of statutory returns is set out in Appendix A.

27. The focus of the 2010/11 to 2014/15 Medium Term Financial Plan had been on year one. A budget gap already existed and a further assessment of grant and, for example, Social Care pressures gives a £30M gap over the medium term.
28. A significantly earlier start is proposed and officers have been charged with developing proposals covering pressures and savings, efficiencies, and service re-provision so that these are available for initial discussion with Members in July. It is proposed that these discussions should include Cabinet Members and the Chairs of the Scrutiny Committees.
29. This will effectively be the first round of 'challenge' on the delivery of the strategy to address a gap of £30M over the medium term.
30. The Budget Strategy goes to the Executive on 17 August. If this does not proceed in this way, Executive approval would not be possible before 28 September which is too late. The Budget Strategy will include an early assessment of 2010/11 budget monitoring, an update on the economy including the impact of the new Government's proposals, a revision of the Medium Term Financial Plan assumptions and the framework for delivering efficiencies for the Medium Term.

Aligning Resources with Priorities

31. The approval of the Medium Term Financial Plan is so much more than setting a balanced budget; it is about ensuring the most effective use of limited resources and ensuring that the Authority is aware of the direct contribution that all resources are making to service outcomes. The outcomes that the Council wants to deliver must also be incorporated into the budget strategy.
32. The current priorities of the Council have been too broad to use as a basis for resource allocation and this applies equally to revenue and capital.
33. At its meeting in June, the Executive will consider the critical outcomes to be achieved over the medium term under each of the five Council priorities. The delivery of these outcomes will play an important part in demonstrating the success of the Council. Consequently, these stated outcomes should play an integral part in decision making on the allocation of Council resources.
34. In addition, this Executive report will provide a brief refresh of the Medium Term Financial Plan and the proposed budget timetable. These latter two issues will be dealt with in greater detail in the Medium Term Financial Strategy (MFTS) paper later in August.

Detailed Budget Guidance

36. The agreement of the Strategy in August does not mean that work on the 2011/12 budget cannot proceed until this time. The timetable will have been agreed and there will be an awareness of the financial parameters within which the budget will be set through the work on the Medium Term Plan.
37. In May initial budget guidance was produced and sent out to Directors and Assistant Directors for action.

38. A shortcoming of the 2010/11 process was the predominantly top down approach. It is essential that there is greater awareness across the organisation especially with service/cost centre managers in order to ensure overall 'buy in' and accountability. There will be greater engagement with senior managers and Members generally for 2011/12.
39. Financial services have worked closely with key service managers in the design of the detailed guidance.
40. In addition to guidance on the process there will also be the provision of detailed budget information. As well as ensuring more informed managers, this will enhance the challenge and scrutiny process later in the timetable.

Medium Term Financial Strategy (MTFS)

41. It is appropriate that the MTFS is held back until August for a number of reasons. By this time Central Bedfordshire will have produced its first quarterly budget monitoring report for 2010/11 which will provide an update on progress in securing £12m of efficiencies as well as identifying any emerging pressures or, indeed, further savings. Further, it will allow time to assess the latest position on the economy and the impact of the new Government. The Authority will also have a clearer view of the quick wins and appreciation of the level of efficiencies that can potentially result from the DECATS (Delivering Efficient Corporate and Transactional Services) initiative below. In order to derive a robust MTFS, it is imperative that we have:
 - Clear corporate priorities
 - An Asset Management Plan
 - Clear Service Plans and Outcomes.
42. There is currently a £30M gap forecast over the medium term with £12M of this identified in 2011/12. This has been identified through a high level reassessment of the budget agreed in February. The key factors behind the gap are a reassessment of Council Tax levels, a significantly more prudent approach to external funding and emerging pressures in Social Care as well as continued demographic growth.
43. A key element of the MTFS will be the focus on the delivery of Council wide savings through:
 - Review and optimisation of Income Streams;
 - Invest to Save (short term investment initiatives to generate longer term benefits)
 - Procurement/contract review;
 - Initiatives arising through DECATS work;
 - Energy efficiencies;
 - Continuing migration of services to the Contact Centre;
 - Total Place (opportunities to collaborate across the public sector);
 - Review of service provision – this should include an analysis of alternative ways of delivering services.
 - Identifying what services it may no longer be appropriate for the Council to fund.

44. Efficiencies will not address all of the gap and Directors have been tasked with assessing the services which they deliver and how they are delivered.
45. Further, Directors will be requested to identify emerging pressures and actions to address them. The challenge here will be to avoid any duplication with the initiatives in paragraph 43.
46. The focus was initially on 2011/12 but it is clear that the pressures continue beyond that time and an evaluation of the medium term is also required. This is underway and will be available shortly. In all likelihood there is a year on year gap of circa £9M and it is appropriate that the Council starts planning to address this further gap also.

Challenge

48. There are two 'challenge' sessions included in the draft timetable, both of which will have the active involvement of Cabinet Members and the Chairs of the Scrutiny Committees. There are also two opportunities scheduled in advance of each of these 'challenge' session for the Chief Executive and Directors to consider the proposals.
49. The first session is in July and will explore broad proposal, the second session is timetabled for September ahead of a draft Budget going forward to the Executive in early November.
50. The focus of challenge in 2010/11 was primarily on the raw data and enabling the production of a balanced budget under extreme circumstances. This is the role of the Finance Managers and Directors. Given the existence of the Medium Term Plan the attention will be on ensuring that the proposals are in line with Central Bedfordshire's medium term priorities. The previous year's budget challenge was primarily focused on the compilation of the revenue budget. It is essential that all financials are considered and therefore capital must be subject to a similar degree of challenge and scrutiny and the proposed schemes must be aligned to the Asset Management Strategy and Asset Management Plan.
51. A combination of the Council's own 'Year 1' information and the availability of more reliable VfM / Performance comparative data from the Audit Commission will enable the Council to have a much better understanding on the overall spend and performance levels in each service area. It is important to understand the limitations of the data that is available at this point in time due to the infancy of the authority. Meaningful assumptions are gained through the development of trend analysis over a period in time.
52. Capital should not be forgotten and proposals here will be challenged in parallel with those for revenue. There is an important foundation early in the process through the capital programme review at the end of the first quarter of 2010/11.

Overview & Scrutiny

53. Overview & Scrutiny will be given greater guidance on their role for 2011/12. It is expected that Overview & Scrutiny will have a greater degree of challenge on the relationship between the proposals and corporate priorities and service outcomes, rather than just to undertake a challenge on the accuracy of the data provided to them.
54. Nevertheless, Overview & Scrutiny will be presented with further detail on existing budgets which will enable a more informed assessment of the accuracy of the data. This will certainly facilitate a further challenge on the figures in that they can be viewed in the context of overall provision.
55. The whole budget process is essentially six weeks ahead of that for 2010/11 which will give great opportunity to consider their views ahead of the formulation of the draft budget for Executive in January.

Consultation

56. This is an area requiring some development which will be enabled with the earlier production of the draft Medium Term Financial Plan at the November Executive.
57. Consultation with the Equality and Diversity Forum should take place.
58. Two obvious omissions in 2010/11 were consultation with the Local Strategic Partnership and the Schools Forum. Given the early completion of the Draft MTFP it should be straightforward to timetable presentation of the proposals to these groups. The consultation with the LSP will need to include the discontinuation of the grants service, which although will form part of the Capital programme review, could easily be overlooked.
59. Similarly, officers will also be available to present the proposals to the political groups, dates to be determined.
60. It is proposed that consultation takes place with all of these groups once the draft Budget proposals has been approved. This is with the exception of the Citizen's Panel. Here, a Citizen's Panel workshop convened in October ahead of the draft Budget. This workshop will brief panel members on the priorities and outcomes and financial position and assess their expectations.

Appendices:

- Appendix A – Scrutiny Task Force recommendations
- Appendix B – Detailed timetable

Background Papers: (open to public inspection)

None