



To: **Community Planning Partnership Board**

On: **2 April 2015**

Report by:
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PARTNER FINANCIAL PLANNING & BUDGETING PROCESSES

1. Summary

- 1.1 Partners agreed at their meeting on 19 November 2014 to share information regarding their financial planning and budgeting processes in order to aid better understanding of the key financial issues facing partners and what the key differences and similarities were with regards partner resources and decision making.
- 1.2 A template was issued to partners in December 2014 requesting a range of information, from which key issues have been highlighted in this report. Responses were received from all partners with the exception of Police Scotland, however the report does include information in respect of this body as far as it is publicly available. The report also considers areas of best practice as highlighted by Audit Scotland.

2. Recommendations

- 2.1 It is recommended that the Board:
 - Consider the report
 - Agree to support the proposal to pilot a shared approach to financial planning and budgeting around the tackling poverty shared outcomes as outlined at Section 7.2; with finance representatives from each partner being nominated to discuss this development.



3. Financial Strategy

- 3.1 There are many similarities in the approaches taken by partners with regards the development and updating of their respective financial strategies. Medium terms plans of 3-5 years are common, with more detailed plans for years 1-3 generally being “firmed up” as information regarding both funding and cost pressures becomes available. The approach is generally incremental (ie existing budgets are used as a baseline and adjusted for known or forecast changes), however while West College Scotland (WCS) also take this approach to medium terms plans, detailed budgets are built from a “zero base” in order to more clearly demonstrate the financial impact of the delivery of each outcome agreed in their Regional Outcome agreement (ROA). From the information submitted, it was not noted that an “outcomes based” approach to budgeting is particularly prevalent. A recent Audit Scotland report (Scotland’s Public Finances, June 2014) outlined the importance of joint working between public sector bodies in order to achieve outcomes for communities; ensuring budget setting takes account of shared priorities and commitments.
- 3.2 Longer term financial planning or modelling (ie up to 10 years) does not appear to be particularly prevalent. The Council does undertake modelling over this term - largely as a risk management as opposed to budgeting tool. This approach is again commended by Audit Scotland in the report mentioned above; who state that while limited funding information may be available in the longer term, public bodies should undertake scenario planning over the longer term.

4. Annual budgets

- 4.1 The majority of partners agree their annual budgets in advance of the start of the financial year. All partners with the exception of the WCS and UWS have a 1 April financial year start date; the further/higher education sector has a 1 August start date. Owing to the recent restructure of the college sector, 2014/15 will be a 16 month reporting period (1 April 2014 – 31 July 2015). The NHS appears to be the only partner whose annual financial plan is agreed during the financial year (usually in June).
- 4.2 The draft Scottish Government budget published in September is key for all partners in informing their annual budgets; however there are variations across partners in the timing of final confirmation of Scottish Government funding – local authorities will usually receive this in December (typically with conditions attached); while the NHS and colleges will not receive final confirmation until the February (UWS receives final grant information in April). The introduction of Health & Social Care partnerships will alter this for the NHS, potentially more in line with local government timescales.
- 4.3 Annual budgets are approved by the full Council or Board ie there is no delegation to committees of annual budget setting by any partner. Planning and detailed work on annual budgets usually begins the preceding June or July, continuing throughout the autumn and winter. The Fire & Rescue Service appear to start slightly later, around October but the final sign off is in February as for most partners.



5. Budgeting and savings

- 5.1 There is a high level of consistency in the approach to budgeting and the allocation of savings – corporate-wide issues such as pay awards and utilities costs are calculated centrally with budgets subsequently being allocated to departments or services. From the information provided there appears to be varying degrees of expectation with regards what cost pressures Directors or Heads of Department are expected to simply manage (eg pay scale incremental drift in some areas appears to be funded, but not in others), however this has not been further investigated – it is assumed that some cost pressures will be left to services to manage on a bottom line basis by all partners. Support to budget holders is generally provided by either dedicated finance teams or business partner arrangements.

6. Technical Issues

- 6.1 Each partner is governed by different regulations and obviously have different legal forms – local authorities are constituted under local government legislation and have their own powers, duties and accountabilities. Both the NHS and now colleges are in effect arms of central government; while Engage Renfrewshire is a registered charity. Since the restructure of Police and Fire Services in 2013, the national bodies are also for accounting purposes treated as a central government body. Each partner must abide by their respective accounting regulations; and as a result has varying degrees of flexibility with regards for example the ability to hold reserves. While the Council appears to be the body with the most obvious ability to hold reserves, there is significant scrutiny around what specific and ringfenced reserves may be held, and also what free or unallocated reserves are appropriate. Charities such as Engage Renfrewshire also have the ability to hold reserves as appropriate to the risks they face; again on a designated or undesignated basis, but again there will be robust scrutiny to ensure that reserves are neither excessive nor insufficient.
- 6.2 Central government bodies have no technical ability to hold reserves – in terms of their compliance with the Scottish Public Finance Manual a balanced budget must be set with no contributions to reserves being possible. However, it is understood that NHS Boards, with the consent of the Scottish Government, may set aside funds for investment in future years. The Scottish Government has only limited flexibility in this regard as the total health budget must balance overall each year. In addition, from 2014/15 the Scottish Government can carry forward a proportion of funding, some of which will be available to the NHS if required, through the budget exchange mechanism. Finally NHS Boards have in the past been loaned additional funding from the Scottish Government on the basis it will be repaid in future years – this form of “brokerage” is helpful in dealing with unforeseen unexpected pressures for which local authorities hold reserves.



7. Conclusion

- 7.1 While the partners deliver a range of very different services to the Renfrewshire community, and each have their own particular cost drivers in terms of demography, socio-economics and environment, there is a reasonable degree of consistency in the general approach to financial planning and budgeting. The variations in the timing of key financial planning processes make this challenging, however there is undoubtedly an opportunity for the CPP to better develop and understand how spend across partners contributes to improved outcomes as recommended by Audit Scotland.
- 7.2 One potential route to achieving this understanding is to focus on a particular outcome or range of outcomes; and a particularly relevant area in this regard is the recent work on tackling child poverty as outlined in a separate report to this meeting. The report highlights that work is underway with regards identifying the resources aligned to anti poverty activities across partners; with the Board to further consider how to best use this resource in support of the CPP response to the Tackling Poverty Commission recommendations. As baseline resource information is collated, there is also an opportunity to develop a shared approach to financial planning and budget setting in this area. It is suggested that this be explored by finance colleagues from all partners with a further report back to the Board, supporting the resource baseline analysis.