

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO	MEETING OF THE BOARD OF COMMISSIONERS
DATE	25 JULY 2011
SUBJECT	JULY BUDGET REPORT
PORTFOLIO HOLDER(S)	COMMISSIONER BYRON DAVIES
LEAD OFFICER(S)	DAVID ELIS-WILLIAMS
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1. Please confirm the nature of the report by clicking one of the following boxes:

For information.....

Operational.....

Strategic.....

2. Reason/s why a decision required by the Commissioners

This reports has been prepared to establish the financial strategy framework for the Council in preparing the 2012/13 revenue and capital budgets. The report also outlines the financial pressures facing the Council both now and in the medium term and sets a timetable for the budget process that will be linked to the Council's Corporate Planning process which is also being considered by the Commissioners meeting today. The Commissioners have indicated their intention to establish a more integrated approach to corporate planning and budgeting and this report supports that position.

3. Report summary

Recommends changes to the budget process to make it more inclusive.
 Recommends changes to the constitution to facilitate this.
 Updates financial outlook.
 Recommends a "Commissioners Budget Plan" should be adopted.

4. Recommendation/s and reasons

(as section 9)

5. Other options and reason/s for rejection

The change to the budget process and constitution are not essential, but not adopting them would stand in the way of progress with inclusive budgeting. Adopting percentage targets only (with no APP) was considered but rejected as being too short-term and silo based.

6. Consultation

- 6.1 Finance/Section 151..... yes..... no
- 6.2 Legal/Monitoring Officer..... yes..... no
- 6.3 Human Resources..... yes..... no..... n/a
- 6.4 Property Services..... yes..... no..... n/a
- 6.5 Communications Unit..... yes..... no
- 6.6 Others consulted (including members): SLG,Lead Commissioner,Shadow Portfolio Holder

7. Any Policy Framework issues

The proposals have regard to the Council's existing Budget Strategy and Budget Framework and allow for the Commissioners needing to update, or wishing to change, these.

8. Environmental issues

Does the item/matter have regard to:

1. Wildlife (biodiversity) under Section 40 of the Natural Environment and Rural Communities (NERC) Act 2006* yes..... no..... n/a

2. Anglesey's Area of Outstanding Natural Beauty (AONB) under Section 85 of the Countryside and Rights of Way Act 2000** yes..... no..... n/a

(* Ecological and Environmental Advisor can advise: ext. 2470)

(** Countryside and AONB Officer can advise: ext. 2429)

[Notes](#)

9. Background papers

1. BUDGET FRAMEWORK AND STRATEGY

- 1.1** The Corporate Plan that currently exists for the Council was established by Council in May 2011 and covers the period 2011-12 only. The Corporate Plan should match the Medium Term Financial period and therefore the Commissioners will be developing the Corporate Plan for 2012-15 to match the financial timelines covered in the budget process. The development of the Corporate Plan 2012-15 will also ensure that it is policy led and supported by corporate and service area business plans that will focus on 2012-13 as being the first year of a three year Corporate Plan. Each year the Corporate Plan will in a similar fashion to the budget process roll-on each year.
- 1.2** Budgets must always reflect plans, and plans must always take account of what can be afforded. This means that the financial plans must support the planning framework of the authority, and budgets, once adopted, represent an upper limit on the authority to spend. As the authority moves its corporate plan from a single year to a three year basis, it will be essential to ensure the consistency of the financial plan, and indeed that both are developed side by side.
- 1.3** Appendix 1 reproduces the Medium Term Revenue Budget Strategy to 2013-14 adopted by the County Council in March 2011. Within this, a wide discretion is given to the Executive function to manage the annual budget; but which is nevertheless subject to this overall budget framework and strategy adopted by the full Council.
- 1.4** The existing Strategy was developed over the last three years, with an overall framework that rejects the annual salami-slicing of service budgets in favour of a more corporate approach. This is reflected in the Affordable Priorities Programme, a programme of projects that deliver savings over a medium-term time frame, and which are grouped under overall themes rather than by service. The list includes thematic projects expected to deliver savings over more than one service and whose targets cannot always be broken down by service in advance.
- 1.5** Appendix 2 lists the Affordable Priorities Programme as it was at the time of adopting the 2011-12 budget. These details will need to be updated as the budget process moves forward.
- 1.6** As we begin to develop the budget plans for 2012-13 the starting point is the existing strategy and the projections in it for that year. But it is also expected that:-

 - the plans for 2012-13 will be updated taking account of new facts and figures;
 - the medium term strategy will be rolled forward to 2014-15;
 - as a result of the above the Executive will in March 2012 propose a revised medium term strategy to the Council;
 - the revised strategy will reflect the new corporate plan and other revised or new service plans that have developed in the meantime.

- 1.7** It is customary for the Executive at this point to affirm that its budget proposals will be guided by the medium term strategy. Being guided by the strategy includes simple updating and rolling forward, but of course it is also possible that the Executive may wish to proceed in a manner which is inconsistent with the strategy and make significant changes to it. As the Commissioners take on this function it is appropriate to clarify whether they are to be guided by it, or whether they propose explicit departures.
- 1.8** The report returns to the theme of developing the strategy at section 7, but the Commissioners are invited to consider their stance with respect to the current strategy, and its continuation.

2. THE FINANCIAL ENVIRONMENT

- 2.1** This budget strategy is written in the context of continuing financial restraint based on the budget published by the Welsh Government (WG) in February 2011 covering the period to 2013-14. This context was reaffirmed as part of the Chancellor's budget announcement in March 2011. And some of the main indicators from this statement were as follows:
- 2012 growth forecast downgraded from 2.6% to 2.5%.
 - Inflation set to remain between 4% and 5%.
 - National debt forecast at 60% of national income in 2011.
 - National debt rising to 71% of national income in 2012.
- 2.2** Current indications are that the Welsh Government budget process for 2012/13 will seek to update the key pressures and risks facing the WG and local government. In addition it will consider the solutions and scope for savings identified in the light of the Comprehensive Spending Review and WG budget outcomes. These details will become clearer as WG's draft budget is proposed (expected early October), and the provisional local government settlement is announced (expected two weeks later). Details will become firmer in the WG final budget (end November) and final local government settlement (December).
- 2.3** The WG budget gives figures for the total local government funding block until 2013-14. The WLGA Finance Cabinet members network met with the Minister for Finance and Business and the Minister for Communities and Local Government on 22 June. At that meeting it was suggested that the Welsh Government had very little room for manoeuvre to change its budget plans and that these indications remained valid – interpreted as relatively good news as there had been fears of further cuts.
- 2.4** There is no figure available for the local government settlement in 2014-15, the year to be added to the strategy as it is rolled forward, and neither is one anticipated in the autumn. However the UK Government's 2010 Comprehensive Spending Review included figures to 2014-15 for the Welsh block and the neutral assumption is to assume the same figure for the local government block in Wales as the total Wales Resource Departmental Expenditure Limit figure, that is to say, no change.

2.5 Within the total local government block, there is then the question of allocation of funding to individual authorities. When the 2011-12 settlement was published, indicative figures were given for 2012-13 and 2013-14. These are the figures used in Appendix 1 for Aggregate Exchequer Finance (AEF), the total of Revenue Support Grant and redistributed Non-Domestic Rates. Significantly they show AEF for Anglesey falling 0.4% in cash terms in 2012-13 when the Wales total increases.

2.6 There remain risks of change to these figures arising from :-

- Potential formula and data changes in the funding formula;
- Impact of any further specific grants transferred into the settlement;
- Changes in the quantum of specific grants;
- The agenda for changes to collaborative national, regional and local services.

Provisional PLASC figures due to be used in the 2012-13 settlement suggest that falling pupil numbers at Anglesey schools leads to a lower AEF in 2012-13 than in the indicative figures – a cash reduction of 0.8%.

2.7 Planning must also have regard to specific grants, not explicitly allowed for in the strategy projections. The WLGA avowed policy is to press for these to be rolled into the unhypothecated settlement and when this happens with individual grants our practice is to reflect the transfer in local budgets in a neutral manner. In 2011 there were fears of more substantial cuts (rather than transfers) of specific grants, and while some fears were realised, the overall picture was not as bad as it could have been. This remains a risk for 2012. Where Welsh Government grants are curtailed, the presumption for budget planning must be that the associated activity must be stopped, although this threatens employment and a few services seen as “core”. The problem is that these grants are announced on a piecemeal basis by different spending departments in the Welsh Government and it can be difficult to draw a general picture.

2.8 The direction of travel on Council Tax is a key part of a longer term strategy, even though annual budgets will be more determined by the level of Welsh Government funding than by marginal decisions on Council Tax. The current strategy allows for a 5% growth in Council Tax income (inclusive of growth in the taxbase) but in practice the concerns about the affordability of this on hard pressed taxpayers has led to lower percentage increases. The Band D rate in Anglesey increased by 3.7% in 2011-12 and Wales as a whole increased at an average of 2.9%, the lowest ever. Comparing Council Tax levels, once again Anglesey is fourth lowest in Wales and lower than almost all authorities in England. The question for a longer term strategy is whether Anglesey wants to remain a low tax authority or has aspirations to catch up with other local authorities in order to improve services and reduce risk of failure. There has been an unofficial limit of acceptability of 5% in Wales, although as noted above, recent increases have been well below this. In recent years 5% has been regarded as an above-inflation figure, but with recent inflation rates nudging 5%, it is no longer that.

2.9 It is anticipated that the Welsh Government will still have a quantitative expectation, as it did in 2011-12, for what happens to school budgets. This stems from the First Minister's campaign pledge for the Welsh Labour leadership that education budgets would fare 1% better year on year than the total Welsh block. This translates to expected cash change of :-

2012-13	+1.58%
2013-14	+2.08%

(The percentage may be adjusted further for pupil number changes).

For this to be set as an arbitrary input figure, irrespective of what happens to costs, rather than an output or outcome based target, is rather an arbitrary constraint. Nevertheless it is one that needs to be acknowledged, as an expectation not a prescription. In the 2011-12 budget there was a similar expectation for social care budgets, but less closely monitored. It is not expected that this will be repeated in later years.

2.10 One of the greatest risks stemming from the external financial environment is inflation risk. In the current year we are already aware of pressures arising particularly from Energy prices, Fuel prices and Food prices. We have provided for projected inflation in the current year's budget, but cannot be sure this provision will not be exceeded even in 2011-12. The WLGA in the Expenditure Sub-Group report looking forward to 2012 refer to a GDP deflator rate of 2.2%. However, the CPI and RPI rates of inflation are now in the region of 5% and some commentators see this as continuing.

2.11 If price inflation takes off, it may become increasingly difficult for public sector employers to hold the line on a public sector pay freeze. Although the employers stance may be for another freeze in 2012, a more realistic stance may be required for financial planning, as indeed underlay the March 2011 Medium Term Revenue Budget Strategy.

2.12 In previous budget reports I had suggested there was some mitigation between inflation rates and interest rates – just as both went down together in 2009, there was an expectation that if inflation rose, there would be some compensation in budget in terms of interest earned. The stance of the Bank of England so far has not vindicated this. Nevertheless interest rates are expected to recover and we will continue to reflect this in the medium term financial strategy as in the Treasury Management strategy.

2.13 Increasing pensions cost is now largely contained as a risk to the budget. The switch from RPI to CPI indexation in the Local Government Pension Scheme has helped (albeit at a disbenefit to scheme members) and Gwynedd Council have confirmed that we can expect stepped increase in contribution rates but limited to 0.5% of payroll each year. Employers pension contribution rates for teachers are stable but this will need to be kept under review. New reforms to public sector pensions may further alleviate these pressures on the public purse, but not so soon that they affect current planning assumptions.

2.14 Another risk to budgets from the external environment during the financial planning horizon comes from the UK Government's plans for "Universal Credit", reductions to benefit in advance of the Universal Credit and the proposed localisation of Council Tax Benefit from 2013. Very little is certain about these changes, but the detrimental effect on claimants could increase pressures on the Council's budget too.

3. INCLUSIVE BUDGETING

3.1 The Council has agreed that the 2012/15 Corporate Plan process will be prepared on the basis of an inclusive approach and integrating the Financial Budget Strategy within the overall process. The Council will also engage fully with external stakeholders and citizens and communities in the development of the Corporate Plan so that there will be a policy emphasis to the 2012/13 Budget Process and the medium term financial plan.

3.2 The transformational change programme to strengthen Corporate Governance within the Council is being taken forward by Commissioners who have made it clear that they will be working closely with the Shadow Executive, Scrutiny and regulatory Committees of the Council to secure the changes necessary in the Corporate Plan and Budget Process required to prepare for the normal democratic processes to be reasserted in Anglesey in the future.

3.3 The strengthening of Corporate Governance will be a key factor incorporated into the Corporate Plan and the Budget process. Part of this strengthening will be a review of the Constitution and senior management requirements of Anglesey in order to take forward this transformational change in the short and medium term.

3.4 Finally and most importantly the Corporate Plan and Budget Process will place the citizen and their communities at the centre of service provision and make it easier for them to access key public services.

3.5 Appendix 3 is a paper originally produced in response to a brief from the Recovery Steering Group to make the budget process more inclusive. This leads to a number of changes, around

- a "pre-budget statement" from the Executive in the summer stating budget assumptions and guidelines;
- a first round of consultation with scrutiny committees and stakeholders in the autumn;
- making the new year round of budget consultation less prescriptive to allow it to be longer.

3.6 This has been developed since in order to integrate the process better with the Corporate Business Planning process, which itself is also developing. An outline timetable is included with the separate report on the Corporate Business Plan but which follows the process outlined in this report.

3.7 To deliver these changes requires the Council to change the Budget Procedure Rules and for the Commissioners to start off the process by adopting a pre-budget statement. Appendix 4 gives the suggested changes to the Budget Procedure Rules. I recommend that the Commissioners recommend these to the full Council.

4. HISTORIC BUDGETS

- 4.1** The 2011/12 budget was a challenging exercise. The Council's Aggregate External Finance (AEF) decreased by 1.7% in cash terms over 2010/11, and when measured on a per capita basis was £1,345, close to the Welsh average of £1,320.
- 4.2** In approving the budget for 2011/12 the Council came to a balanced judgment between service provision and the impact on Council Tax payers. The budget included making significant savings amounting to £3.4m to establish a Band D Council Tax of £855.90 (an increase of 3.7% from 2010/11).
- 4.3** Over the past four years the level of savings identified as part of the budget setting has amounted to £8.9m and these savings have become more challenging to achieve year on year.

Savings

2008-09	£2.3m
2009-10	£2.2m
2010-11	£2.0m
2011-12	£3.4m

The Medium Term Revenue Budget Strategy of Appendix 1 rolled forward the expected gap between financing and spending as follows :-

Projected Savings

2012-13	£4.0m
2013-14	£2.8m

Of these, the Affordable Priorities Programme projected savings (excluding school budgets) of £1.22m in 2012-13 and £1.43m in 2013-14. This left a gap to be bridged through a further saving, yet to be found. The use of reserves to fund the budget gap is not recommended because this is a one-off source of funding only, and only defers the problem.

5. ISSUES AND PRESSURES

- 5.1** The development of the 2012-15 budget over the next six months will be informed by the Council's out-turn for 2010/11, the reserves and balances at that point (see separate report on 2010-11) and the 2011/12 monitoring position as the current year unfolds.
- 5.2** Therefore the Council will need to carry out a Risk Register approach as part of the Corporate Plan and Budget Process to identify the significant operational and financial challenges in the medium term. The impact of the challenges will be reviewed as part of the financial monitoring process and through the Corporate Risk Register both of which will need to be reported quarterly to the Senior Leadership Group, Commissioners and Scrutiny and Audit Committees.
- 5.3** Among the issues that are expected to feature in budget discussions are the following :-

5.4 WG expectation for schools budgets. This expectation is couched in terms of the cash change in delegated schools budgets. As a cash figure, the risk of inflation or other cost change is transferred to schools. The WG expectation may be adjusted by the effect of falling pupil numbers and as the provisional PLASC figures indicate this is indeed still on a downward trend. A planning assumption is that the Council will wish to follow the WG expectation and the Commissioners are invited to confirm this.

5.5 Salary and Grading Review

5.5.1 The power to act on the Salary and Grading Review has been delegated by the full Council to the Pay and Grading Panel. It is not an Executive function therefore outside the Commissioners scope. Nevertheless, the Council's Budget Strategy reflects the Pay and Grading proposals and the Commissioners' budget proposals will continue to take this into account.

5.5.2 After the unions did not ballot on the authority's earlier proposals, the authority's approach was reconsidered by the Pay and Grading Panel in January 2011. A revised (generally lower) cost profile was adopted by them, reflecting the proposals extant at that time, and this was reflected in the Medium Term Revenue Budget Strategy.

5.5.3 Following dialogue with trade unions and discussions at the Strategic Leadership Group, it is becoming clear that aspects of the January 2011 proposals will need to be revisited, and that additional resources will be required to restart the process. That in turn may lead to a review of the projected cost profile over the medium term.

5.5.4 Because a sum has been set aside in annual budgets, deferral of the proposals leads to an accumulation of a reserve which at 31 March 2011 stood at £2.5 million. This sum will continue to be available to finance the cost of the review process, to finance any backdating of payments and any protection arrangements.

5.5.5 As proposals develop, it will be necessary to keep under review both the annual provision and the reserve to ensure they are sufficient but not excessive having regard to the risks in this area. In the meantime, the strategy can roll forward the previous assumptions.

5.6 Collaboration

5.6.1 The Council is taking an increasing role in collaborative activities where there is a service improvement for citizens together with a positive business case. Following the Simpson report, and other reports on collaboration in Education and Social Services, the Council will be engaged in both regional (North Wales) and national projects.

5.6.2 Some of these projects require pump-priming funding and arrangements have been made within the 'Cost of Change' heading in the budget to fund these. The timing of implementation naturally depends on all partners, but ultimately it is to be expected that these projects will contribute to savings targets.

5.7 Other Risks

Some of the high level risks that will need to be considered as part of the budget strategy can be established at this early stage as being;

- The corporate governance transformation at a time of budgetary constraint which will require different approaches to implementation.
- There needs to be a rationalisation of meetings to use existing officer capacity more effectively and reduce the number of ad-hoc meetings that exist.
- There will be a service impact of any significant reduction in headcount expected in local government generally over the medium term.
- There is a continuing demographic demand for social care services.
- The need to allocate resources to achieve the 21st Century Schools aspiration.
- The effect of resources required to finance the Schools Organisation Plan.
- The challenge of developing an economic and inward investment strategy for tourism and employment.
- The challenge of joined-up technology based system for corporate information.
- The exploration of a structured asset release to fund transformational change.
- Challenge of achieving income from fees and charges at a time of financial constraint.
- The need to react to new service demands such as homelessness and migration.

5.8 Capital Expenditure and Capital Funding

5.8.1 It is clear that as central government capital funding has reduced, local government has had to find a greater share of its capital funding requirement. Work carried out by Welsh Local Government Association has established that since 2005/06 there has been a 400% increase in the value of unsupported borrowing undertaken by councils in Wales and in 2011/12 for the first time it became the biggest single source of funding for capital expenditure. However, they found concerns amongst local authorities that their unique power in the Welsh public service to borrow may bring an unrealistic expectation from stakeholders about their ability to undertake more long term borrowing than they can prudently afford to do, given reducing revenue budgets.

- 5.8.2** In response to the pressures on both revenue and capital finance, and the time pressures affecting the budget process itself, the authority's 2011-12 capital budget only rolled forward current commitments and annual programmes. There are no new starts of major schemes in 2011-12 and neither is there (as in previous years) a capital plan for subsequent years.
- 5.8.3** There is a need to renew the capital plan and consider what new schemes can be afforded. However, with a 40% cut in WG capital resources over the period, there is a massive loss of funding opportunities, and the reality that hardly any service developments will be possible when resources are not sufficient to maintain the capital stock.
- 5.8.4** This leads to consideration of how far the authority may go in relation to unsupported borrowing. Where schemes are self-financing, there is sufficient flexibility within current approaches and the budget framework to allow these to go ahead – but on the whole, there are not all that many self –financing schemes.
- 5.8.5** An approach outlined in last year's budget round was to suggest that up to £2 million a year could be sourced from unsupported borrowing to replace lost WG funding, and to build into the medium term revenue budget strategy the funding to service the debt. This helps demonstrate affordability. Although built into revenue plans, no specific capital schemes have been authorised to use this flexibility and these are not therefore included in current capital budgets. One of the issues to be considered in the budget process is the extent to which unsupported borrowing may be used to supplement the capital programme.
- 5.8.6** The continued pressure on capital funding requires that consideration be given to potential financial instruments which could deliver significant funding. These may include Tax Increment Financing (TIF), and Community Investment Levy (CIL) and will be considered alongside budget preparation. These may assist as solutions following reviews of the funding required to enable a step change to be made in road surfaces, pavements and community shopping centres and with the ability to continue to develop the Inward Investments, Economic Development and Regeneration based on Energy Island, Tourism and 21 Century technology.

6. UPDATING PROJECTIONS

- 6.1** Taking account of the foregoing, this section attempts to update and roll forward the projections of the medium term budget strategy to inform the Commissioners' budget plan. The nature of projections and their variability means it is important to appreciate the underlying assumptions that are being made.

6.2 Forecasting the future is never certain. It is inevitable that as the budget round progresses assumptions will change as new information becomes available or views change. Even the best projections are never right. There is a danger in taking an over-sophisticated approach to such an inexact art, and a risk that any setting down of figures in writing creates a spurious degree of precision that underplays inherent uncertainty. The approach that follows is meant to be a broad-brush treatment of round figures.

6.3 This rolls forward the projections in Appendix 1 as follows :-

	2012-13 £m	2013-14 £m	2014-15 £m
<u>Funding Available</u>			
Welsh Government	92.7	93.7	93.7
Council Tax	<u>26.7</u>	<u>28.1</u>	<u>29.5</u>
	<u>119.4</u>	<u>121.8</u>	<u>123.2</u>
<u>Previous Year Budget</u>	118.9	119.4	121.8
Schools Budgets	+ 0.6	+ 0.8	+ 0.4
Other cost increases	+ 1.5	+ 2.3	+ 3.0
Demographic changes	+ 0.2	+ 0.2	+ 0.2
Capital Financing & Interest	- 0.1	- 0.4	0.0
Financing unsupported borrowing	+ 0.1	+ 0.2	+ 0.4
Salary & Grading Review	+ 0.2	+ 0.4	+ 0.4
Investing in change	+ 0.3	+ 0.2	0.0
Other growth	+ 1.0	+ 0.7	+ 0.5
Balancing – cuts required	- 3.3	- 2.0	- 3.5
<u>Budget</u>	119.4	121.8	123.2

6.4 ASSUMPTIONS

Welsh Government Funding :	2012-13 and 2013-14 as WAG illustrative projections provided in 2010, adjusted now for effect of PLASC figures, 2014-15 flat-lined following Welsh block totals.
Council Tax :	As in Appendix 1. 2014-15 rolls forward 5% increase assumption on gross tax receipts.
Schools Budgets :	Applies WAG expectation of cash growth to schools budgets for 2012-13 and 2013-14. Assumes 1% for 2014-15 reflecting assumption for WG budget and policy pledges.
Other cost increases :	Round figure of 2% applied to all non-school budgets gives roughly £1.5m a year. The actual inflation rate faced by the authority will crucially depend on what happens to pay awards over the period. While the employers' stance is to freeze pay, this may prove to be unsustainable, more so in the later years. Reflecting increasing risk as time goes by, I have used 3% in 2013-14 and 4% in 2014-15. The assumption will be revisited.

Demographic changes:	As in Appendix 1, rolled forward. This is the growth on elderly numbers increasing the social services budget, net of reduction in pupil numbers reducing schools budget (an allowable adjustment to WG expectations). Both calculations need to be updated in the course of the budget discussions.
Capital financing and interest :	As in Appendix 1 which itself reflects Treasury Management projections. The reductions reflected the projected improvement in interest earned as rate recovers, but again this will be updated in line with Treasury Management estimates.
Financing unsupported borrowing :	As in Appendix 1 but deferred for a year throughout in view of the authority not having moved on in the meantime to authorise such borrowing. (see 5.8.5)
Salary and Grading Review :	As Appendix 1, which itself reflected projections of what had been proposed at the Pay and Grading Panel (see 5.5.5).
Investing in Change :	This is the £1m over three years allocated by the Council in March 2011 to be spent by the Chief Executive in consultation with the Affordable Priorities Programme Board. The sum as profiled to 2013-14 is largely committed by now.
Other growth :	Previously, a round £0.5m a year had been allowed, not so much for service development, but more the sort of unavoidable service pressures which experience shows are met each year. The allocation has been increased by £0.5m in 2012-13 to meet aspirations arising from the Corporate Business Planning process and to strengthen central services.
Balancing figure :	This is the net requirement to make savings as a result of the above.

6.5 We already have a programme of savings in the Affordable Priorities Programme. The Commissioners have already been advised of the risk to achievement of these savings in 2011-12 as some schemes slip their implementation date. Going forward into 2012-13 it is currently projected that there will be a recurrent shortfall of £0.2m against the 2011-12 target. Further savings from the programme (net of schools which are being treated separately in this approach because of the WG expectations) are:-

2012-13 £1.22m
2013-14 £1.43m
2014-15 £0.64m

These are not sufficient over the three-year period to close the budget gap.

7. THE COMMISSIONERS' BUDGET PLAN (PRE-BUDGET STATEMENT)

- 7.1** First, the Commissioners will need to consider whether they are comfortable with the assumptions outlined above as a basis for budget planning. The largest risks must still be the likely course of inflation and of Welsh Government funding. A more cautious approach may justify seeking to over-plan savings to cover the downside risk. I would not recommend a less cautious approach.
- 7.2** The approach in the previous section leads to a savings target of £8.8m over three years (slightly less than earlier projections, mostly because this version is more optimistic on inflation). The target for 2012-13 is £3.3m, or 2.8% of budget.
- 7.3** The savings target is arrived at after allowing for known commitments, then £0.5m for "unavoidable" growth then a further £0.5m. The first £0.5m is a round sum allowance for the type of service pressures which cannot be predicted at this distance, but which typically arise in any budget year and are difficult to resist. The second £0.5m is an allowance for reinvestment in the priorities which emerge from current reviews of corporate governance or indeed anything else.
- 7.4** This is a crucial assumption which Commissioners are invited to confirm, or otherwise. If more is required for reinvestment, the savings target will need to be increased. I doubt if the figure would be less.
- 7.5** The financial pressures included in the MTFP will need to be revisited to ensure they accord with the new arrangements and the Corporate Plan and adjustments made where necessary. Any new items proposed for inclusion in 2012/13 or beyond must be integral to the corporate governance transformation agenda, have a direct link to the achievement of priority outcomes in the Corporate Plan or assessed as a firm invest to save initiative.
- 7.6** Next, Commissioners need to consider the approach to budget savings.
- 7.7** In earlier years, the Executive has generally adopted a percentage target approach applied to budgets, service by service. The advantage of such an approach is that it is clearly aligned with budget-holding responsibilities, such that ownership of proposals and accountability for delivery is easier to define. The difficulty of such an approach is that it is less corporate, more difficult to link to overarching outcomes and may encourage a silo-based approach.
- 7.8** In some years the authority has added to this by a programme of corporate savings applied to certain budget subjects - items such as energy, stationery etc. across all services. The fact that it is seen as topslicing the budget for which Heads of Service are accountable for (in total) can blur accountability. It can be made to work when there is clear central control or direction over these budgets which ensure budget savings are delivered.

7.9 The Affordable Priorities Programme was a further innovation - a programme of savings, managed corporately, linked under themes rather than services. This is better aligned with a corporate driven agenda and set of objectives and priorities. It is also a better approach for taking a perspective over more than one year. The disadvantage of such an approach is confusion of accountability against service-driven budgets aligned with the management structure. Some of the problems of slippage in 2011-12 reflect the lack of ownership for projects and blurring of accountability which results.

7.10 Going forward we need to be clear which approach we are following for budget targets.

7.11 The Strategic Leadership Group is of the view that we should not abandon the Affordable Priorities Programme, because of the benefits to strategic planning. There is a need to review all projects, both existing and future, as to whether the projected savings are still good targets and whether the timing is right.

7.12 There are other areas of work which might also benefit from a whole-authority approach :-

- **Income Generation** Where the authority may charge for goods and services, in many cases it has discretion how much to charge for them. Previous budget rounds have sought to increase income by setting above-inflation guideline increases, and as a result, the overall amounts collected in income from fees and charges compares favourably with other authorities. This is not to say that every single charge that may be made is right – there may well be opportunities to target some charges to “what the market will bear”. The potential project is not to impose blanket increases but to examine the opportunities for charge increases where they may lie.
- **External Contracts** The authority is heavily externalised with recurrent long-term external contracts that exceed £100k a year. Because these are contractually committed they can escape scrutiny as part of an annual budget process, although often the retendering of contracts on renewal can bring price savings from exposure to competition. I believe that the authority should be reviewing external contracts with a view to making savings from reducing specifications as well as on price. It should plan to do so on contract renewal, but additionally it should be seeking to renegotiate contracts by agreement with contractors even during a contract term. In these difficult times, this is what private and public sector clients are already doing, and contractors should be prepared for it.
- **Collaboration Projects** There are a large number of collaboration projects at various stages of progress, some already delivering. Some of these assist in delivering savings within mainstream budgets, for example when they negotiate better procurement terms. Others are specific projects which deliver savings in particular budget lines when opted into. There is a need to review the various projects in progress, to consider how they deliver savings and that they are counted but not double-counted in savings plans.

7.13 I am therefore proposing the following approach to savings targets :-

- (i)** Existing APP projects are to be confirmed (but with savings/timings to be reviewed in conjunction with the Finance Service) – even where these exceed the 4% guideline below;
- (ii)** New APP projects to be considered where these reflect corporate themes crossing more than one service;
- (iii)** Corporate Directors and Heads of Service to be asked to identify 4% savings within the directorate, on the basis that the target may be applied variably across the directorate by the Corporate Directors and that APP savings count towards the targets;

In relation to all actions and measures identified in the Corporate Business Planning process, Corporate Directors/Heads of Service to identify for each:-

- those which can be achieved within budget;
- any constraints on achievement of targets/measures;
- those which require additional resources, in which case to quantify the resources required over the next three years;
- any support required from others in order to achieve targets/measures.

- (iv)** Reports to be prepared on (i) to (iii) above for consideration by the relevant scrutiny committee in October/November according to the timetable of Appendix 3, as part of pre-decision scrutiny of the budget.

7.14 Progress reports will need to be brought back to Commissioners in the meantime, but the aim of this process is to ensure that there is inclusive feedback by end November. This is the milestone when better information on the local government settlement is expected (although no date has yet been confirmed). This leads into the Commissioners' consideration of initial budget proposals for 2012-13 and thereafter, which is the next phase of the revised budget process.

8. HR IMPLICATIONS

8.1 There will be significant people implications associated with actions necessary to be taken to manage the financial pressures facing the Council as outlined in this report. Preparing savings proposals on budget reductions will inevitably impact on posts, particularly in those Service Areas where staff costs represent the most significant element within the overall budget. The contribution to be made by corporate governance transformation in 2012/13 will also be significant and it will be important to assess the risk and impact of any proposals.

8.2 Service Areas will shortly commence the process of discussing and consulting on savings proposals with the trade unions, and it will be essential that there continues to be appropriate consultation on proposals which are taken forward by the Commissioners.

- 8.3** Mechanisms will need to be established to support implementation of the corporate governance transformation programme and its budget challenges. These include:
- the process for Vacancy Management and Review, aimed at building up a pool of posts filled on a temporary basis which would be available for offer to permanent staff whose posts may be at risk;
 - continued use of the Council's Early Retirement, Flexible Retirement and Severance schemes;
 - consideration to be given to revising the terms for staff severance;
 - a strengthened Redeployment Policy & Procedure and support for those displaced ;
 - skills enhancement guidance to be made available for employees including re-training and re-skilling.
- 8.4** In addition there will be a continued focus on reducing consultancy and agency spend, with particular emphasis on agency workers covering vacant posts. Where possible these posts will be used for redeployment opportunities.
- 8.5** Through the above mechanisms, and through appropriate workforce planning, the Council will continue to seek every opportunity to avoid Compulsory Redundancies where possible.
- 8.6** The progress made in accelerating the implementation of the Corporate Governance Transformation Programme will necessitate clear identification of the resource required to support implementation and a re-prioritisation of existing workload to ensure capacity is provided to the transformation programme and to the critical areas of risk within service areas.

9. RECOMMENDATIONS

The Board of Commissioners is invited to:-

- 9.1** affirm that they will be guided by the current Medium Term Strategy, or outline the direction of departure;
- 9.2** adopt the outline timetable for the budget process as in the report on the Corporate Planning process;
- 9.3** recommend the changes in Appendix 4 to the County Council as change to the Constitution;
- 9.4** confirm that the budget plan for schools ought to follow WG expectations;
- 9.5** confirm the current approach to unsupported borrowing;
- 9.6** confirm (or otherwise) the assumptions of section 6 as a background to updating the strategy;
- 9.7** adopt the guidelines of 7.13 above as a basis for preparing budgets;
- 9.8** delegate to the Corporate Director of Finance and the Lead Commissioner for Corporate Management and Finance the drawing up of a "Commissioners' Budget Plan" (the pre-budget statement referred to in Appendix 3) that reflects the above and Commissioners deliberations, as a formal document to guide the remainder of the budget process for 2012-13.

MEDIUM TERM REVENUE BUDGET STRATEGY 2011 - 2014

This strategy is adopted by the Isle of Anglesey County Council to support its strategic priorities and guide service planning.

Although setting the budget is an annual process it should be seen as part of a rolling programme from one year to the next. The medium term financial strategy was developed not only to support strategic priorities but also to meet the significant challenges facing public finances.

The objectives of the strategy are:-

- To support Council strategic priorities
- Address issues raised by the Corporate Governance Inspection
- Meet challenges facing public finances
- Achieve these targets without compromising the Council's financial standing.

GUIDING PRINCIPLES

In facing the challenge of meeting local priorities against a background of public spending restraint, the strategy recognises that :-

This cannot be achieved by a programme of “salami-slicing”. The practice of making small cuts to all budgets year after year, while it might appeal to a sense of fair play, does not recognise priorities – that one service may be more important than another. Neither does it encourage radical change.

The Council cannot meet everybody's needs and will have to give priority to serving the most vulnerable. As public spending reduces, universal service provision for all becomes less possible. Some services may need to be rationed to those most in need. In practice this may mean more, or higher, eligibility thresholds and more means-tested charges for services.

The Council spends too much on keeping buildings. A combination of salami-slicing and a reluctance to make radical changes has led to an almost totemic maintenance of the status quo in terms of Council establishments. This in turn has led to the condition of many buildings deteriorating because repairs and maintenance budgets have been inadequate. The strategy will review whether there are better ways of providing services.

Delivering Businesslike and Affordable services

Strategic Priority 5 refers to working with others and radically modernising the way we work. Carrying this out will mean radical changes to service delivery models.

The Strategy is based on:-

AIM	WHAT IT MEANS
<p>Giving services sufficient certainty about budgets to enable them to plan ahead.</p>	<p>Adopting forward plans for budgets, in total and at service level.</p> <p>Assurance about the degree to which annual budgets will be rolled forward automatically as standstill budgets - although with a cyclic programme of more fundamental reviews of budgets.</p>
<p>Maintaining some stability in year-on-year increases in Council Tax within any guideline issued nationally.</p>	<p>Forward plans are based on an increase in total Council Tax income of 5% each year. Growth in the tax base may contribute to this, so headline Band D rates may not increase at the same rate.</p> <p>Annual decisions on Council Tax will still be required and are not bound by these plans. These will take account of any WAG guidelines or conditions on Council Tax.</p>
<p>Being realistic about the level of Welsh Assembly Government funding we'll get.</p>	<p>The forward plans are based on indicative funding figures from WAG. These extend only to 2013-14 so this strategy covers the same period.</p>
<p>Allowing for growth and reduction in population as they effect budgets.</p>	<p>Automatically allowing for changes in pupil numbers as they affect school budgets.</p> <p>Allowing for demographic growth in numbers of the elderly. This allowance is currently £0.3m per year but will need to be kept under review.</p>
<p>Recognising that we'll need to focus on key capital projects as there is not enough funding to maintain existing assets.</p>	<p>Not all aspirations for capital funding can be met. Maintaining the asset base for delivering core services will be a priority over aspirational developments. Projects may be included in capital plans conditional on securing external funding.</p>

<p>Recognising that asset sales, seeking external grants, private finance or borrowing may be needed to compensate for the loss of capital funding.</p>	<p>Rationalising the number of buildings held and operated in accordance with the Asset Management Plan. Capital receipts are a corporate resource to support the capital programme as a whole, but exceptions may be made on an “in-and-out” basis.</p> <p>Revenue budget plans make explicit allowance for the cost of unsupported borrowing by the Council.</p>
<p>Allowing money for new priorities in annual budgets, giving flexibility to meet priorities, to respond to risks and the changes in external environment.</p>	<p>The strategy sets aside £1million for investing in change, necessary to deliver Affordable Priorities Programme or collaboration projects.</p> <p>The Strategy also allows for the projected cost of the Salary and Grading Review according to a revised profile of costs agreed by the Pay and Grading Panel in January 2011.</p> <p>A further allowance of £0.5 million a year is made in 2012-13 and 2013-14 to help meet unforeseen priorities.</p> <p>Retaining Improvement Agreement Grant funding in a central performance fund to be allocated by the Executive to individual projects.</p>

The central projection is summarised below:-

	2011-12 £million	2012-13 £million	2013-14 £million
Previous Year Budget	119.4	118.9	119.8
Cost Increases	+2.5	+3.7	+3.9
Demographic Changes	+0.1	+0.2	+0.2
Capital financing and interest	-0.3	-0.1	-0.4
Financing unsupported borrowing	+0.1	+0.2	+0.4
Salary & grading review	-	+0.2	+0.4
Investing in change	+0.5	+0.3	+0.2
Other growth	+0.3	+0.5	+0.5
Savings Required	-3.7	-4.1	-2.8
Total	118.9	119.8	122.2
Funded by :			
WAG funding	93.4	93.1	94.1
Council Tax	25.5	26.7	28.1
	118.9	119.8	122.2

This leads to a need to save £11m over the period 2011-12 to 2013-14. Reflecting the uncertainties of any projection there is a risk that this figure could be higher or lower. There is little doubt that savings will be required.

AFFORDABLE PRIORITIES PROGRAMME (APP)

The Council recognises that many who commented last year had voiced concern about a number of issues including the need to protect front line services such as education, leisure centres, libraries and services for the vulnerable whilst cutting down on bureaucracy and management costs.

Based on these principles the APP builds on the programme outlined last year, which includes a broad range of measures to improve efficiency and reduce costs. The APP can be summarised under the following headings:-

- Efficiency which includes management and administration costs
- Partnership working to deliver more cost effective services
- Concentrating on what we must do and being more cost effective in discretionary services
- Modernising the way we work
- Reducing services as a last resort.

Under these headings, targets have been set to achieve savings, and these will be addressed as part of the Council's business plans.

FINANCIAL STRATEGY

This Medium Term Revenue Budget Strategy forms part of a wider financial strategy which also includes:-

- **Budget and Financial Procedure Rules** – in the Constitution, which set out how financial matters are decided and administered.
- **Capital Plans and Budgets** - reviewed and adopted by the full Council, within which the Executive manages capital spending.
- **Treasury Management Strategy** – adopted by the Council and setting out how investment, borrowing and other cash flow implications are handled.
- **Review of Reserves** – an approach to the level of financial reserves is outlined in reports to the Executive.
- **Annual Budget Resolutions** – the annual budget resolution of the Council reviews and reaffirms the budget framework, including levels of delegation over the spending of budgets.

Project Name	11/12	12/13	13/14	14/15	15/16	Cumulative Annual Saving	Budget treatment	Changes since consultation	Costs/ Funding
	£m	£m	£m	£m	£m	£m			
Efficiency									
S1 Economy Drive - improve economic efficiency in providing services Council wide.	0.05					0.05	Hold budget cut centrally		£10k contribution to group's work/ "Spend to Save" for projects arising
S2 Transactional Process - Restructure of financial mechanisms throughout the Council in order to streamline authorisations, payments etc.			0.20			0.20	n/a		c £350k Capital, PIG and "Spend to Save"
S3 Procurement - To bring a Council wide procurement strategy and compliance process into operation.	0.05	0.10	0.10			0.25	Hold budget cut centrally	North Wales Procurement Partnership Management Board meets in March	Need to formalise budget for cost of membership of North Wales Procurement Partnership
S17 Professional Trainee Schemes - deleting the current scheme and looking longer term to focus on options.	0.20	0.06				0.26	Budget cut	Change profile: [+24] -44/+40/ - :total 256	
S21 Energy Efficiency - To identify and deliver energy efficiency savings in various Council operational buildings.	0.02	0.01	0.02	0.02	0.02	0.09	Hold saving against Property		Capital Budget, Unsupported Borrowing and "Spend to Save"
S29 Fleet Management - Centralisation with potential to save on using LPG vehicles / reduction in number of vehicles required and reduced expenses claim.	0.02	0.03	0.02			0.07	Hold saving against Highways		Capital Budget
S39 Flexible Working Arrangements - provide flexible working opportunities for staff to work part time / flexible retirement / buying additional leave / unpaid career breaks or sabbaticals	0.05	0.03				0.08	Hold budget cut centrally		Possibility of pension costs - include in S40
S40 OMR Reviews - The Organisation and Management review has identified a range of opportunities to reduce staffing in management and administration in order to reduce cost and minimise impact on front line services.	0.80	0.10				0.90	Allocate saving to level of Directorate or Service	Slipping?	£1m Severance Costs (up to £2m/£2.5m including all APP and schools costs) £100k HR and legal advice costs £20k training
S41 Staff Travel Terms & Conditions - A proposed new initiative to retain the lower level of reimbursement for training, pay the 1st 5 miles for care staff, removing all lump sums and pay remaining travel at 40p.	0.28	0.07				0.35	Try to allocate saving	Slipping?	Possibility of costs to facilitate agreement
S42 New Ways of Working - A more efficient usage of the portfolio of buildings with the proposed introduction of modern IT and management systems to make best use of the available space for staff.		tbc	tbc	tbc	tbc	0.00	n/a		Significant costs "Spend to Save" and PIG
S12 Leisure Service Revenue Budget Reductions - to rationalise, re-model and merge Leisure Services with an existing Service in order to reduce the revenue budget.	0.22	0.09				0.30	Allocate saving	Slipping?	

Project Name	11/12	12/13	13/14	14/15	15/16	Cumulative Annual Saving	Budget treatment	Changes since consultation	Costs/ Funding
S44 Staff & Councillor Parking - Parking tickets for staff and Councillors to be purchased on an annual basis but with the option of daily pay.	0.03	0.01				0.04	Allocate saving	T&F Group and Exec, defer staff element for a year	
S43 Highways Various - Introduce more efficient ways of working such as collaborative procurement exercises / increase car parking income / amend grass cutting methods and revised winter maintenance policy.	0.06	0.04				0.10	Allocate saving		Costs from "Spend to Save"
S45 Single Person Discount - identification and validation of erroneous claims leading to savings and reducing incorrect claims.	0.15	-0.11				0.05	"Below the line" savings		One off revenue costs c£20k
Subtotal Efficiency	1.91	0.42	0.34	0.02	0.02	2.72			
Partnership working	£m	£m	£m	£m	£m	£m			
S5 Telecare - delivery of a strategic, shared monitoring service via single line managed service within the region.					0.05	0.05	n/a		Funding at regional rather than local level
S11 Education Collaboration - Establishment of a North Wales regional service to support schools and Council's in school improvement and raising standards.			0.05	0.10		0.15	n/a		Costs presented include local and regional costs - could be funded from a collaboration budget
S19 CCTV Collaboration - Partnership approach with other North Wales authorities and North Wales Police to renew CCTV infrastructure.		0.06				0.06	n/a	Delay?	Unclear - could be funded from a collaboration budget if a business case is constructed
S6 Home Care Delivery - An options appraisal on the future delivery of home care services island wide.	0.11	0.02	0.02			0.15			
S31 Transport - efficiency and eligibility - Examination and evaluation of the use of taxis, buses and transport costs across the Authority with a view of investigating and considering the level and provision of a discretionary charged service.	0.05	0.10				0.15			Possible costs £70k? against "Spend to Save" or existing budgets
Subtotal Partnerships	0.16	0.18	0.07	0.10	0.05	0.56			
Concentrate of what we must do	£m	£m	£m	£m	£m	£m			
S22 Review Council Owned & Operated Attractions & Amenities - Review the rationale for the direct provision by the Authority of a range of amenity and tourist activities including heritage sites, parks, leisure, countryside and maritime services.	0.02					0.02	Allocate saving		
S23 Bus Service - Reducing the subsidy to bus services on Anglesey.						0.00	n/a		
S25 Asset Management - A two phased approach reviewing options for the disposal of commercial and industrial properties / estates and a radical restructuring of the asset base.	0.03	0.03	0.03	0.05	0.08	0.20	Hold saving against Property		Revenue costs under discussion Some costs can be set against capital receipts
S46 Longer Term Visitor Attractions - the above review will provide the initiation for a proposed interdepartmental Destination Management Plan for the Isle of Anglesey.		tbc	tbc	tbc		0.00	n/a		
Subtotal Concentrate	0.05	0.03	0.03	0.05	0.08	0.22			

Project Name	11/12	12/13	13/14	14/15	15/16	Cumulative Annual Saving	Budget treatment	Changes since consultation	Costs/ Funding
	£m	£m	£m	£m	£m	£m			
Modernise Services									
S8 Older Persons Day Care - a review of the older persons day care provision in order to re-model its delivery and realise efficiency savings.	0.03	0.02	0.02			0.07	Allocate saving		
S13/35 Rationalise Schools including secondary schools -	0.27	0.13	0.10	tbc	tbc	0.50	Cut quantum		Possible capital
S15 Rationalise Library Service - a review of the library service to achieve savings target.	0.04	0.01	0.04			0.09	Allocate saving		
S9 Remodel Learning Disabilities - To review commissioning arrangements to identify service delivery models.	0.10	0.10	0.10			0.30	Allocate saving		
S10 Eligibility Criteria - A project to tighten eligibility criteria for Social Care with a significant remodelling of individual care packages to reduce service costs.	0.59	0.25	0.25			1.09	Allocate saving		
S30 Community Toilets - A detailed study of the provision of toilets resulting in a full review to establish need and possible alternative provision with support from businesses.		0.03				0.03	n/a		
Subtotal Modernise	1.03	0.54	0.51	0.00	0.00	2.07			
Service Reduction									
S27 Public Protection - Review the statutory provision of public protection services and establish the resources necessary to deliver a level of service that meets the minimum statutory requirements whilst minimising risk.		0.14	0.14		0.04	0.31	n/a	Need to review	
S4 Choice of Access to Payments - Review and adopt new ways for payments throughout the Council whilst promoting Direct Debit as the Council's preferred method. Discontinue public payments at the Council Offices Llangefni and Holyhead Area Office.	0.05	0.05				0.10	Hold saving against Finance		Up to £100k "Spend to Save"
Subtotal Reduce	0.05	0.19	0.14	0.00	0.04	0.41			

Project Name	11/12	12/13	13/14	14/15	15/16	Cumulative Annual Saving	Budget treatment	Changes since consultation	Costs/ Funding
New Projects	£m	£m	£m	£m	£m	£m			
S34 Residential Care Review									
S36 Out of County Placements									
Subtotal Newer Projects	0.00	0.00	0.00	0.00	0.00	0.00			
Possible Future Projects	£m	£m	£m	£m	£m	£m			
Remodelling Sheltered Accommodation									
Empty Bed Collaboration									
Amalgamate Provider Units									
Subtotal Possible Future Projects	0.00	0.00	0.00	0.00	0.00	0.00			
North Wales Future Collaboration Projects	£m	£m	£m	£m	£m	£m			
Education Programme Board - sub-regional partnership / collaboration programme.			0.20	0.20		0.40			Need collaboration budget
Social Services Programme Board - sub-regional partnership / collaboration programme.			0.09	0.10		0.19			Need collaboration budget
Environment Programme Board - sub regional partnership / collaboration programme.			0.13	0.14		0.27			Need collaboration budget
Support/Other Programme Board - sub regional partnership / collaboration programme.			0.03	0.03		0.06			Need collaboration budget
Subtotal Future Collaboration	0.00	0.00	0.45	0.47	0.00	0.92			
	3.20	1.35	1.53	0.64	0.18	6.89	million		

DRAFT REPORT: INCLUSIVE BUDGETING

The Recovery Steering Group had sought a report on “inclusive budgeting”. A draft report originally prepared for that purpose has been revised to take account of comments received, but more particularly to address the issues caused by appointment of Commissioners.

This authority’s practices as regards budgeting are not unchanging. In fact, it is fair to say that every budget round is different. This reflects differing styles and aspirations of members as well as different pressures and timetables imposed externally. Other features have been common over many years, reflecting either the constitutional framework or the organisational culture. There have been demands to simplify a complicated process, which may have resulted in it being less inclusive. Conversely the involvement of more parties makes the process more complicated and potentially time-consuming.

The term “inclusive budgeting” is not defined, nor have I been able to find reference to it in good practice guidance. An internet search on the term finds a few authorities who claim to have done it, or who say that they plan to do it, but what they describe differs from one place to another, especially in relation to who they aim to “include”.

There seems to be three groups of people which an inclusive budget process should aim to include :-

- Budget holders within the Council;
- Councillors of all political groups;
- The public and stakeholder groups.

Clearly it is desirable that all three should be included in some way by the budget process. The emphasis at this authority in the context of the Corporate Governance Inspection and the Recovery Plan would seem to be on the second group.

The Public Process and Information Flows

An illuminating approach is to consider what information is made available to stakeholders to facilitate their contribution to the budget process. The Open Budget Initiative aims to do this globally as a means of comparing national governments worldwide. They list eight key budget documents which ought to be available publicly and although these are meant to be designed for national governments, practice at Anglesey can be compared with these expectations as follows :-

<u>Open Budget Initiative Expectations</u>	<u>Anglesey Practice</u>
Pre-Budget Statement (assumptions used and broad allocations among sectors)	Corporate Director's report on budget outlook, usually in October, outlines general prospects and seeks decisions on assumptions to guide the budget process. Executive minutes will record decisions – no Executive statement as such.
Executive's Budget Proposals	As required by Budget Procedure Rules, the Executive makes initial proposals in January. These are normally the subject of consultation with the public and scrutiny committees. Following this, the Executive produces final proposals in February put to the Council in March.
Enacted Budget (legal document to authorise Executive to spend)	<p>The formal legal budget is contained in the Council's budget resolution. This is then reported and published as :-</p> <ul style="list-style-type: none"> • A leaflet for Council Tax payers, circulated with bills; • A 'budget book' made available mostly within the authority; • Returns to WAG and other bodies used for statistical comparison.
In-Year Reports (monthly or quarterly)	Quarterly monitoring reports are made to the Executive on revenue and capital budget and Treasury Management activities. Current work is aimed at moving towards monthly reporting.

Mid-Year Review (reviews and discusses changes in assumptions)	The second quarterly report fulfils the function of a mid-year review although often in practice the third quarter report is relied on to confirm budget assumptions for the following year.
Year-End Report	A report on out-turn for the year is usually made to the Executive in June, reporting on out-turn against budget in management accounting terms. The statement of accounts reports on the same out-turn in financial accounting terms. This is more comparable with other authorities but less comprehensible in internal terms.
Audit Report	Produced by the external auditor and reported to the Audit Committee.
Citizens' Budget (a popular non-technical version of the information)	In part met by the Council taxpayers leaflet and summary information included in corporate plans.

All of the above information is available publicly. This suggests there is no fundamental lack of information – although, given resources, undoubtedly improvements in quality or timeliness could be made.

The eight documents remind us that the budget process is a continuous cycle, with different phases at different times of year, but not a single process. The focus at Anglesey has tended to be on the process of putting together an annual budget, one that is outlined in the Budget and Policy Framework Procedure Rules in the constitution.

Constitutional Requirements with Executive Arrangements

When current local authority constitutions (Executive arrangements) were being developed in 2002, national guidance at that time allowed for two models in respect of developing budget proposals – for the budget to be proposed by the Executive, or for it to be proposed by Scrutiny committees. This authority opted for the former model as being the most workable, as did other authorities. The 2006 update to the guidance referred only to this model, where it is clearly the Executive's responsibility to propose the budget to the Council. They also say :-

“In developing the budget and formulating policy, the executive will be responsible for any consultation, which is required or necessary. The executive should, at an early stage in the development of the budget and policies, consult the relevant overview and scrutiny committees”.

The Budget Procedure Rules in Anglesey’s constitution reflect these requirements and in a fairly prescriptive manner. They require the Executive to complete initial proposals (which parallels the Open Budget Initiative expectations) and with a prescribed minimum content, six weeks before the date of the Council meeting (4.3.2.2.1 of the Constitution). The requirement is for internal consultation, i.e. with scrutiny and overview committees, but in practice the consultation with the Schools Forum, other stakeholders and the public usually takes place according to the same timetable. Following the consultation, the Executive is required to complete final proposals to the Council, at least one week before the Council meeting (4.3.2.2.4 of the Constitution).

Other authorities have less prescriptive requirements in their Budget Procedure Rules. The effect of this is that Anglesey is often one of the first authorities in Wales to go public with budget figures even though it is usually one of the last authorities to finalise a Council Tax figure. On the face of it, this is a more open and inclusive process.

The Process in Practice at Anglesey

The principal means of developing the Executive’s initial budget proposals in recent years has been largely ‘behind closed doors’ – i.e. discussions involving officers and Executive members. The main focus has been on bilateral meetings between the Finance portfolio holder and each service portfolio holder in turn, each supported by officers, to identify the issues – areas of disagreement, budget pressures, savings opportunities, etc. in that service. Following a series of such bilateral meetings, issues are identified and a budget package usually takes shape in discussions at the Strategic Leadership Group and informal Executive meetings. These are then formally brought to the Executive for endorsement.

This process is not particularly inclusive of members – indeed even some Executive members can feel excluded. The officers whose job it is to spend these budgets can also feel excluded when attendance at meetings is necessarily restricted to a few senior officers. The process has evolved over a period of years as a compromise between a more inclusive and open process that was felt to be too time-consuming and onerous for members and officers, and the alternative of a more officer-led process.

Overview and scrutiny committees have rarely made observations of substance on the budget proposals, usually confining themselves to one or two smaller issues and the Council Tax figure. Only rarely do scrutiny committees lobby for their services' share of the cake. Members at scrutiny committees have made little difference in practice to the budget. Even in 2011, with stronger support for scrutiny and more robust questioning, the recommendations which came back were more about process than the substance of the budget.

There is also a role for the opposition. Again, the Budget Procedure Rules (4.3.2.2.6 of the Constitution) allow for alternative budgets to be proposed by "any committee, or any five members" by way of an amendment at the full Council. This has never been used by "any committee" but has been used as a means for the opposition to oppose the Executive's budget. It is part of the professional expectations of the Chief Finance Officer to brief and support the opposition in this respect to facilitate robust budgeting, and in practice this has been done.

The fact that there has tended to be an Executive/opposition polarity with respect to the budget may have contributed to the reduced role of scrutiny – because neither side's supporters wished to reveal their stance in advance of a budget debate in the full Council.

Analysis of budgets over the past few years suggests that neither the observations of scrutiny committees nor the proposal of amendments at the Council has made substantial changes to the budget. The budget eventually adopted by the Council meeting has resembled the Executive's initial proposals. The two most influential differences have been, first, the updating of budget calculations in the light of later information (i.e. nothing to do with the political process) and, second, lobbying by schools.

It is possible that the Budget Procedure Rules, by being prescriptive as to the details of the Executive's initial proposals, have stifled discussion. The initial proposals are meant to be specific as to the proposed Council Tax figure and with a service-by-service analysis of the budget. This means that it cannot be put together until certain budget calculations are completed and the WAG local government settlement is known – so it is done in a rush in January. The fact that specific figures are given may undermine consultation if consultees think decisions have already been taken, so responding is not worthwhile.

The creation of the Affordable Priorities Programme Board in 2010 was intended to widen discussion of the budget among elected members, and gain a shared understanding and ownership of the challenging savings programme over a period of years. In an authority which is not driven by differences of political principle, there is generally a shared understanding of spending priorities across political groups. With the prospect of a cuts programme having to be carried out over a period of years, straddling elections, it is desirable to secure that all members have been involved in the budget debate long before the formal budget comes to the Council for adoption.

The Council's 2011-12 budget resolution developed this, giving the Affordable Priorities Programme Board a role as a consultee on spend-to-save decisions and on adjusting APP savings targets. This took some formal power over budgets away from the Executive (and before the appointment of commissioners was known).

Possible Changes

The current reviews of the Constitution provide an opportunity to review the Budget Procedure Rules. One option may be to make the Executive's initial budget proposals less prescriptive as to their content. Making them vaguer allows proposals to be made sooner, allowing more debate on their content.

In the terminology of the Open Budget Initiative, this could move the focus of debate from the Executive's Proposals to the Pre-Budget Statement. This would require the Executive to adopt in September/October each year, a set of assumptions and proposals to guide the budget process. These would be in fairly vague terms because WAG settlements would not be available and many budget lines uncertain – but could set out the expected level of savings, and/or the priorities between services. It would in effect set budget targets for each service which they in turn need to respond to. They would do so by the Scrutiny committees taking some responsibility for the budgets within their service area, and informed by the budget holders in their area – i.e. service officers, rather than finance officers. This would be an opportunity for each service to set out its stall for the budget round. It would be more open to external stakeholders to observe and participate.

Such a process parallels more closely the budget processes of local authorities before Executive arrangements were introduced. It would be more inclusive, but also more demanding and potentially reducing the Executive's ownership of, and responsibility for, the budget proposals. It would tend to bring out conflict over the budget, which if it provides an opportunity for conflict resolution is a good thing.

In time, this process could be better integrated with business planning. The assumptions in the pre-budget statement could take the form of challenging each service to redraft its business plan with a x% incremental increase/decrease in budget.

A more inclusive budget process will be more demanding on resources. It will require more input from all members and service officers as well as from finance officers. Some of that effort will be abortive – in the sense that more options will be evaluated but not implemented, more information sought but not used. It will be more time-consuming.

The appointment of Commissioners provides an added impetus for change. Unlike an Executive drawn from the elected members, the Commissioners have no democratic locus to develop proposals of their own. Their budget proposals must ultimately be adopted by the Council: if their proposals are to stand a good chance of doing so, they must involve the whole council even more in their development.

CONCLUSIONS

- Anglesey has most of the information flows to support inclusive budgets in place;
- The Budget Procedure Rules provide a prescriptive framework for consultation which requires consultation with Scrutiny Committees about specific proposals;
- Constitutional changes could be made to focus discussions on a Pre-Budget Report involving scrutiny committees and service officers. This would be a new round of discussions in October/November to inform the Executive's budget proposals. The requirements for the January/February round may be less prescriptive.

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4.3.2 Process for Developing the Budget Framework

4.3.2.1 Budget Strategy

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4.3.2.1.1 the Executive may propose to the Council a budget strategy, which would include plans for revenue and capital budgets for more than a single financial year.

4.3.2.1.2 if the Executive decides to propose a budget strategy, it will publish initial proposals, taking account of –

- (i) the outcome of any review of budget strategy carried out by the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee
- (ii) any representations made to the Executive concerning the budget strategy
- (iii) any consultation with local stakeholders concerning the budget strategy

4.3.2.1.3 the Executive's initial proposals shall be referred to the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee for further advice and consideration. The Committee shall canvass the views of other Committees or of local stakeholders if it considers it appropriate, and having particular regard not to duplicate any consultation carried out by the Executive. The ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee shall report to the Executive on the outcome of its deliberations within 8 weeks of the publication of the Executive's initial proposals.

4.3.2.1.4 having considered the report of the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee, the Executive, if it considers it appropriate, may amend its proposals before submitting them to the Council Meeting for consideration. It will also report to Council on how it has taken into account any recommendations from the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee.

4.3.2.1.5 the Council will consider the proposals of the Executive and may adopt them, amend them, refer them back to the Executive for further consideration, or substitute its own proposals in their place. In considering the matter, the Council shall have before it the Executive's proposals and any report from any relevant Committee.

4.3.2.1.6 the Council's decision will be publicised in accordance with the provision of the Council's Constitution and a copy shall be given to the Leader. The notice of decision shall be dated and shall state either that the decision shall be effective immediately (if the Council accepts the Executive's proposals without amendment) or (if the Executive's proposals are not accepted without amendment), that the Council's decision will become effective on the expiry 5 working days after the publication of the notice of decision, unless the Leader objects to it in that period.

4.3.2.1.7 if the Leader objects to the decision of the Council, he/she shall give written notice to the ~~Managing Director~~Chief Executive to that effect prior to the date upon which the decision is to be effective. The written notification must state the reasons for the objection. Where such notification is received, the ~~Managing Director~~Chief Executive shall convene a further Meeting of the Council to reconsider its decision and the decision shall not be effective pending that Meeting.

4.3.2.1.8 the Council Meeting must take place within 14 working days of the receipt of the Leader's written objection. At that Council Meeting, the decision of the Council shall be reconsidered in the light of the objection, which shall be available in writing for the Council.

4.3.2.1.9 the Council shall at that Meeting make its final decision on the matter on the basis of a simple majority. The decision shall be made public in accordance with the provision of the Council's Constitution, and shall be implemented immediately.

4.3.2.1.10 Where the council already has a budget strategy, and the Executive as part of the annual budget process outlined at 4.3.2.2, outlines proposals to revise or update that strategy, the procedure of 4.3.2.2 shall take the place of the procedure outlined above.

4.3.2.2 Annual Budgets

4.3.2.2.1 Before 30 September in any year, the Executive will publish a Pre-Budget Statement for the year beginning the following 1 April. The Pre-Budget Statement will include the following:

(i) an outline of the financial outlook and key assumptions made by the Executive to guide financial planning;

(ii) if the Council has adopted a budget strategy, whether the Executive considers that the strategy will require modification in the light of the financial outlook or the Executive's proposals;

(iii) budget guidelines for Corporate Directors and Heads of Service to consider in relation to their budget and business planning.

4.3.2.2.2 Before 30 November in any year, the scrutiny committees shall consider the Executive's Pre-Budget Statement as regards its effect on matters within their respective terms of reference, and having regard to the authority's corporate plans, service plans and proposals for their development. They may make representations to the Executive concerning the budgets for matters within their terms of reference. The Corporate Scrutiny Committee may additionally make representations concerning the budget as a whole.

4.3.2.2.3 The Executive may additionally consult with stakeholders on its Pre-Budget Statement, taking account of any consultation undertaken on corporate plans.

4.3.2.2.4 The Executive shall take account of representations received from scrutiny committees and the results of consultation before framing its Initial Budget Proposals.

~~4.3.2.2.5~~ At least 6 weeks before the date on which an annual budget is to be adopted by the Council ~~Before 15 January in any year,~~ the Executive will publish initial Budget Proposals for the budget for the year beginning the following 1 April. The initial Budget Proposals will include the following:

(i) if the Council has adopted a budget strategy, whether the proposed annual budget conforms to that strategy, and details of any departures or proposals to revise or update the strategy;

(ii) how the proposals link to the assumptions of the Pre-Budget Statement and corporate and service plans adopted by the authority or to be proposed by the Executive;

~~(iii) details of how the proposals have been influenced by consultation undertaken or by the feedback from scrutiny committees;~~
~~(ii) the proposed Council Tax for the year;~~
~~(iii) any proposed transfers to or from financial reserves;~~
~~(iv) a summary of proposed expenditure by service;~~
~~(v) details of significant changes to service delivery implied by the budget;~~
~~(vi) the extent to which the proposals take account of previous reports by the Principal Scrutiny Committee or any Overview Committee;~~
~~(vii) details of any consultation that has been undertaken by the Executive concerning the proposed budget, and the account taken of this;~~
~~(viii) details of any consultation which is being or is to be undertaken by the Executive concerning the proposed budget;~~
~~(ix) details of events (such as announcements awaited, or the outcome of consultation) which may affect the Executive's proposals.~~

4.3.2.2.62 The Executive's ~~Initial Budget P~~proposals shall be sent by the ~~Managing Director~~Chief Executive to all Members of the Council and ~~any~~ co-opted members of the ~~Principal Scrutiny Committee~~ ~~scrutiny committees~~ ~~within 3 working days of~~ ~~as soon as practicable after~~ their completion by the Executive, together with any advice which the Chief Finance Officer may wish to give.

4.3.2.2.7 The Executive shall ensure that it consults on the Initial Budget Proposals ~~to the extent required by statutory requirements, and may at its discretion consult more widely.~~

4.3.2.2.8 ~~At least two weeks before the date on which an annual budget is to be adopted by the Council, the scrutiny committees shall consider the Executive's Initial Budget Proposals as regards their effect on matters within their respective terms of reference, and having regard to the authority's corporate plans, service plans and proposals for their development. They may make representations to the Executive concerning the budgets for matters within their terms of reference. The Corporate Scrutiny Committee may additionally make representations concerning the budget as a whole.~~

~~3 The Principal Scrutiny Committee shall have 3 weeks to respond to the initial proposals of the Executive, should it wish to respond. The Principal Scrutiny Committee may canvass the views of local stakeholders if it considers it appropriate in accordance with the matter under consideration, and having particular regard not to duplicate any consultation carried out by the Executive. The Principal Scrutiny Committee shall report to the Executive on the outcome of its deliberations.~~

4.3.2.2.94 ~~Having considered the reports of the Principal Scrutiny Committee and any reports from Overview Committees, the Executive, if it considers it appropriate, may amend its proposals before submitting them to the Council Meeting for consideration. At least seven working days~~one week before the date on which an annual budget is to be adopted by the Council, the ~~Executive~~Executive, ~~having considered the responses of scrutiny committees and the outcomes of consultation undertaken,~~ will publish its ~~final~~Final Budget Pproposals ~~for the budget~~. The ~~F~~final Budget Pproposals will include the following:

(i) if the Council has adopted a budget strategy, whether the proposed annual budget conforms to that strategy, and details of any departures ~~or proposals to revise or update the strategy;~~
(ii) the proposed Council Tax for the year;
(iii) any proposed transfers to or from financial reserves;

- (iv) a summary of proposed expenditure by service;
- (v) details of significant changes to service delivery implied by the budget;
- (vi) the extent to which the proposals take account of reports of Committees;
- (vii) the extent to which the proposal take account of details of any consultation that has been undertaken;
- (viii) details of any other significant differences between the initial and final proposals;
- (ix) the Executive's proposal for virement provisions during the year;
- (x) proposals for borrowing;
- (xi) any other statutory matters to be decided by the full Council.

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4.3.2.2.105 The Executive's ~~F~~final ~~B~~Budget ~~P~~proposals shall be sent by the ~~Managing Director~~Chief Executive to all ~~m~~Members of the Council and ~~any~~ co-opted members of ~~scrutiny committees~~ the ~~Principal Scrutiny Committee~~ within ~~2 working days of as soon as practicable after~~ their completion by the Executive, together with any advice which the Chief Finance Officer may wish to give.

4.3.2.2.116 If any Committee, or any 5 Members of the Council, wish to propose an amendment to the final budget proposals of the Executive, they shall give notice of the amendment to the ~~Managing Director~~Chief Executive ~~at least 3 working days~~ before the date on which an annual budget is to be adopted by the Council. They may also submit a report.

4.3.2.2.127 The Council will consider the proposals of the Executive and may adopt them, adopt any amendment of which notice has been given in accordance with 4.3.2.2.116 above, or substitute its own proposals in their place. In considering the matter, the Council shall have before it the Executive's final proposals and any amendment and report submitted in accordance with 4.3.2.2.116 above, and any advice which the Chief Finance Officer may wish to give.

4.3.2.2.138 In approving the budget, the Council will also specify the extent of virement within the budget which may be undertaken by the Executive, in accordance with Rule 4.3.2.5 of these Rules (virement). Any other changes to the budget are reserved to the Council.

4.3.2.3 Decisions outside the budget

4.3.2.3.1 Subject to the provisions of Rule 4.3.2.5 any body or persons discharging executive functions may only take decisions which are in line with the budget. They may only commit expenditure, or forego income, up to the limit of the appropriate budget heading or subheading. If any of these bodies or persons wishes to make a decision which is contrary to or not wholly in accordance with the budget approved by full Council, then that decision may only be taken by the Council, subject to 4.3.2.4 below.

4.3.2.3.2 If any body or persons discharging executive functions want to make such a decision, they shall take advice from the Chief Finance Officer as to whether the decision they want to make would be contrary to or not wholly in accordance with the budget. If the advice of the Officer is that the proposed decision could be brought within the budget by the making of an appropriate virement, then the proposed decision may be referred by the body or person which wants to make the decision to

the body or person which is capable of deciding on the virement, unless the decision is a matter of urgency, in which case the provisions in Rule 4.3.2.4 (urgent decisions outside the budget) shall apply. If the advice of the Officer is that the decision would not be in line with the existing budget and could not be brought within the budget by the making of an appropriate virement, then the decision must be referred by that body or person to the Council for decision, unless the decision is a matter of urgency, in which case the provisions in Rule 4.3.2.4 (urgent decisions outside the budget) shall apply.

4.3.2.4 Urgent decisions outside the budget

4.3.2.4.1 Any body or persons discharging executive functions may take a decision which is contrary to or not wholly in accordance with the budget approved by full Council if the decision is a matter of urgency. However, the decision may only be taken:

(i) if it is not practical to convene a quorate Meeting of the full Council or, in the case of a virement decision, a body able to take that decision; and

(ii) ~~if~~ if the Chairperson of the ~~Principal Scrutiny Committee~~ Corporate Scrutiny Committee agrees that the decision is a matter of urgency.

The reasons why it is not practical to convene a quorate Meeting of full Council, or of a body able to take a virement decision, and the Chairperson of the ~~Principal Scrutiny Committee~~ Corporate Scrutiny Committee's consent to the decision being taken as a matter of urgency must be noted on the record of the decision. In the absence of the Chairperson of the ~~Principal Scrutiny Committee~~ Corporate Scrutiny Committee the consent of the Chairperson of the Council and, in the absence of both, the Vice-Chairperson of the Council can be substituted for the consent of either the Chairperson of the ~~Principal Scrutiny Committee~~ Corporate Scrutiny Committee or the Chairperson of the Council.

4.3.2.4.2 ~~F~~Following the decision, the decision taker will provide a full report to the next available Council Meeting explaining the decision, the reasons for it and why the decision was treated as a matter of urgency.

4.3.2.5 Virement

4.3.2.5.1 The annual budget adopted by the Council will include headings for sums allocated to particular objectives, services or projects. It may also include contingency headings not allocated to any particular objective, service or project. In relation to these headings –

(i) the Executive shall be delegated unlimited power to spend each annual budget heading on the particular objective, service or project.

(ii) the Executive may vire from each budget heading to another objective, service or project up to a monetary limit set each year by the Council, to be applied as an upper limit on the amount which can be vired from any individual budget heading.

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(iii) the Executive may vire from a contingency heading to any objective, service or project, up to the total amount of the contingency heading;

(iv) the Executive may vire between projects in the annual capital budget, provided the virement is consistent with any budget strategy adopted by the Council;

(v) the Executive may authorise new expenditure within the annual budget to the extent that this can be met by new or increased sources of external income and does not entail any commitment beyond that.

4.3.2.5.2 Within each budget heading adopted by the Council, the Chief Finance Officer in conjunction with Service Officers and subject to the directions of the Executive, will allocate the budget to subheadings which identify the type of expenditure or income. The Executive will delegate the management of these subheadings, including the power of virement between them, to Officers.

4.3.2.5.3 The Council may set an upper limit on the commitment to be funded from future years' budgets which can be made by the Executive. Within that limit the Executive may enter into commitments provided these are consistent with any budget strategy adopted by the Council.

4.3.2.5.4 All decisions by the Executive, Portfolio Members or Officers to vire budgets headings or subheadings, or to enter into commitments funded from future years' budgets, shall be notified to the Chief Finance Officer in a form specified by him/her. If the Chief Finance Officer is of the view that a virement, if made

- (i) would not comply with any budget strategy adopted by the Council; or
- (ii) would not comply with the annual budget set by the Council; or
- (iii) would contravene any virement limits set by the Council; or
- (iv) would not represent value for money; or
- (v) would involve a commitment in excess of the resources available; or
- (vi) could permit unlawful expenditure or the entry of an unlawful item of account ;

he/she shall report to that effect to the Executive, giving reasons, and the proposed virement shall not be implemented until the Executive have considered that report.

4.3.2.5.5 The annual budget adopted by the Council may include headings for budgets to be spent at the discretion of each ~~SScrutiny_~~ ~~or Overview C~~committee, Regulatory Committee or Joint Committee in support of its functions.

4.3.2.6 Call-in of decisions outside the budget

4.3.2.6.1 Where the ~~Principal Scrutiny Committee~~ ~~Corporate Scrutiny Committee~~ is of the opinion that an ~~E~~executive decision is, or if made would be contrary to or not wholly in accordance with the Council's budget, then the matter shall be referred to the Chief Finance Officer.

4.3.2.6.2 In respect of functions which are the responsibility of the Executive, the Chief Finance Officer's report shall be to the Executive with a copy to every Member of the Council. Regardless of whether the decision is delegated or not, the Executive must meet to decide what action to take in respect of the Chief Finance Officer's report and to prepare a report to Council in the event that the Chief Finance Officer concludes that the decision was a departure, and to the ~~Principal Scrutiny~~

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~~Committee~~Corporate Scrutiny Committee if the Chief Finance Officer concludes that the decision was not a departure.

4.3.2.6.3 If the decision has yet to be made, or has been made but not yet implemented, and the conclusion of the Chief Finance Officer is that the decision is or would be contrary to or not wholly in accordance with the budget, the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee may refer the matter to Council. In such cases, no further action will be taken in respect of the decision or its implementation until the Council has met and considered the matter. The Council shall meet within 7 days of the request by the ~~Principal Scrutiny Committee~~Corporate Scrutiny Committee. At the Meeting it will receive a report of the decision or proposals and the advice of the Chief Finance Officer. The Council may either:

(i) endorse a decision or proposal of the Executive decision taker as falling within the existing budget. In this case no further action is required, save that the decision of the Council be minuted and circulated to all Councillors in the normal way;

or

(ii) ~~amend~~ the Council's budget concerned to encompass the decision or proposal of the body or individual responsible for that executive function and agree to the decision with immediate effect. In this case, no further action is required save that the decision of the Council be minuted and circulated to all Councillors in the normal way;

~~or~~

(iii) where the Council accepts that the decision or proposal is contrary to or not wholly in accordance with the budget, and does not amend the existing framework to accommodate it, require the Executive to reconsider the matter in accordance with the advice of the Chief Finance Officer.

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