

# Argyll and Bute Council

## Review of the 2016-17 budget setting process



Prepared for Argyll and Bute Council  
March 2016

# Scope of the audit

1. We reviewed aspects of the council's 2016-17 budget setting process as part of our annual audit responsibilities on financial management and sustainability. The audit recognises that the approval of the budget is a political one for the elected members of the Council to make. The review covers the processes followed for scrutinising and approving the annual budget, it does not make any comment on the specific decisions made by the members. Correspondence received by Audit Scotland was considered as part of this work.
2. Audit Scotland cannot overturn any decisions made by any council. We make recommendations for improvement and then monitor progress in implementing these. Recommendations from this audit work are detailed in Appendix 2. We expect this report to be considered by the council's Audit Committee. We will also share it with the correspondents who contacted Audit Scotland about the budget setting process.

## Background

3. The budget setting process for 2016-17 has been challenging for all councils, with the financial settlement being confirmed close to the budget setting deadline. The level of settlement was also lower than had been anticipated by most councils. In Argyll and Bute this increased the 2016-17 estimated budget gap to be filled, to deliver planned services, from between £7.9 million and £8.8 million, to £10.052 million.
4. On 11 February the Council approved a one year budget for 2016-17. We have identified some areas for consideration arising from this budget which are detailed below.
5. The intention is to set a three year budget covering 2017-18 to 2019-20 when the results of the Spending Review are known.

# Audit findings

## Scrutiny of the budget

6. The budget approval is a vital part of the council's accountability arrangements, demonstrating how it plans to fund its services. To enable all members to effectively scrutinise the budget proposals, members need adequate time to consider the budget proposals being made.
7. Throughout the year members have been invited to seminars in respect of Service Choices, which have been subject to public consultation, and are a key element of the budget proposals for 2016/17.
8. Draft budgets prepared by the Political Groups are prepared with financial advice from the Head of Strategic Finance as proper officer in terms of Section 95 of the Local Government (Scotland) Act 1973 and consulted on with her, in confidence, prior to the Budget Setting Meeting.
9. It is recognised that the budget setting timetable for 2016-17 and issuing of papers has been particularly challenging this year. In our opinion, to promote transparency and enable informed scrutiny by all members, it is good practice for budget proposals to be tabled in advance of the Council meeting at which the budget will be set.
10. The agenda for the Council meeting included access to a Budgeting Pack and Revenue Budget Overview report, prepared by the S95 officer, the Head of Strategic Finance. These papers were available on the council's website in advance of the meeting. The covering paper proposed a recommendation to "approve the revenue budget for 2016-17 as set out in the budget overview report. This would result in a surplus of £0.463m." The budget pack explained how this was arrived at and an appendix showed a calculation of the figures. It included saving options identified through the Service Choices public consultation process of £7.398 million and Management/Operational savings of £1.044 million which are able to be taken forward as part of normal business, without any further approval.
11. At the Council meeting an Administration Budget Motion was tabled which recommended approval of the Budget Overview Report subject to what we consider to be significant changes. The proposed changes to the budget were documented in the paper that included the Administration motion. Alternative proposals, also containing significant changes, were also tabled and considered by the Council from the SNP Council Group and the Reform Group.
12. Tabled papers at meetings is not precluded by the council's standing orders and the members voted to approve the revised budget included in the Administration motion on that basis. However, given the significance of the changes to the budget included in the motion and alternative proposals, in our opinion, this limited the ability of elected members and the public to raise informed questions prior to its consideration and approval.

## Clarity of Budget Papers and Minutes

13. S95 of the Local Government (Scotland) Act 1973 provides:- "Without prejudice to section 69 of this Act, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs"; If a budget cannot demonstrate that the approved level of balances are attained at the end of an agreed financial planning period the budget may not meet the requirements of S95.
14. The budget papers and minutes of the meeting should therefore provide a clear trail to the elected members and the public, of the advice of the S95 officer provided at the meeting and the decisions taken.
15. The Administration Budget Motion Paper explains the components of its revised budget but it does not show a calculation to demonstrate the impact of its budget on the general fund reserves at the year end. In our opinion this should be presented more clearly. The Head of Strategic Finance's view is that whilst there is no tabular form of calculations demonstrating that there was a balanced budget, she feels the key figures were set out in the Administration Budget Motion and in her opinion the Administration Budget Motion represents an achievable and balanced budget. She further explained that she has additional papers demonstrating the build-up of the figures that were not put to the Council. From the explanations provided we have clarified the agreed budget at Appendix 1. This shows that the budget should result in the general fund increasing at 31 March 2017 by £0.003 million.
16. The Administration Budget included further operational and management savings of £1.674 million on top of those included in the Budget Overview Report. The Head of Strategic Finance has told us that at the Council meeting she explained to members that in her opinion these savings were deliverable but would be harder to achieve than those totalling £1.044 million already recognised in the budget pack. This is not shown in the minute of the meeting.
17. The minute of the council meeting explaining the budget approval is very brief. It does not include the advice given by the Head of Strategic Finance about the budget motion approved by the members. Whilst it is not minuted, the Head of Strategic Finance has confirmed to us that in her opinion the Administration Budget Motion represents an achievable and balanced budget. She explained that she had been involved in discussions about all three budget proposals considered by the Council at the meeting and was satisfied that they were all competent budgets, fit for member consideration. The approval of the budget by the majority of elected members further endorses the validity of the budget.
18. Officers have explained that it is normal practice not to minute advice given by officers unless members chose not to follow officers' advice or an issue of competency is attached to the motion. However in view of the significance of the budget setting process, and the importance of the S95 officer's advice on it, we would recommend that procedures for minuting officer advice and council decisions should be reviewed to record this more fully.

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# Conclusions

19. It is recognised that the budget setting timetable for 2016-17 and issuing of Council papers has been particularly challenging this year. We are satisfied that the Head of Strategic Finance and the members of the Council have taken appropriate action to satisfy themselves that the budget approved on 11 February for 2016-17 is a balanced and achievable budget.
20. The Budget Motion approved by the Council includes significant changes to the budget, from the budget pack recommended by the Head of Strategic Finance, included in the agenda papers. Tabling of the Budget Motion and other supporting papers at meetings is not precluded by the standing orders and the members voted to approve the motion on that basis. However, in our opinion, this limits the ability of elected members and the public to raise informed questions prior to its consideration and approval.
21. The Best Value audit report in December 2015 concluded that the council should establish a more open and transparent culture and style of working. In this context, members may wish to consider the transparency of the final stages of the budget setting process and how effective it is at promoting and demonstrating scrutiny of the options considered.
22. The approved Budget Motion paper did not include a clear breakdown of how the budget balanced. We are satisfied from discussions and our own calculation at Appendix 1 that the budget approved represents a planned balanced budget. It is now for the council to deliver on these plans. The format of budget proposal papers should be reviewed by members for future years.
23. The minute of the 11 February Council meeting explaining the budget approval is very brief and does not include any advice given by the Head of Strategic Finance in relation to the Budget Motion or alternative proposals. As a result members of the public have no evidence of the discussions and the endorsement of the budget by the Chief Financial Officer. We recommend that the process for minuting important officer advice and council decisions is reviewed to ensure it is comprehensive and transparent.

# Appendix 1

## Agreed Budget Proposal

	£ million	£ million
Budgeted cost of services		247.228
Funding:		
Scottish Govt	196.176	
Council Tax Income	41.000	237.176
<b>Budget gap</b>		<b>10.052</b>
Service Choices Proposals agreed	5.186	
Operational/ management savings included in budget pack	1.044	
Further savings proposed by members	1.674	
Fees and charges increases at 6%	0.610	
Social work/ social care savings	1.541	
<b>Total Planned Savings</b>		<b>10.055</b>
<b>Increase in reserves</b>		<b>0.003</b>

# Appendix 2

## Recommendations

		Management Response	Timetable/ Responsible officer
1	To facilitate more transparent scrutiny of budgets, members should consider circulating proposals for significant changes to the Budgeting Pack in advance of the Council meeting, ideally with agenda papers.	The council is still to confirm its response to this action.	End of June 2016 - Head of Strategic Finance
2	Future budget proposals should include a clear breakdown of how a balanced budget is made up.	Officers will ensure that advice is given to members in order that budget proposals clearly demonstrate that they represent a balanced budget.	As part of budget planning process for 2017-18 (by February 2017) – Head of Strategic Finance
3	The process for minuting officer advice and council decisions on significant items such as setting the budget should be reviewed to ensure minutes are comprehensive and transparent.	The process for minuting the Council's budget meeting will be considered, taking into consideration best practice from other Councils.	As part of budget planning process for 2017-18 (by February 2017) – Head of Governance and Law