

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources Committee
DATE	29 September 2011
DIRECTOR	Stewart Carruth, Director of Corporate Governance
TITLE OF REPORT	Update on Priority-Based Budgeting (PBB)
REPORT NUMBER:	CG/11/113

1. PURPOSE OF REPORT

At the council meetings of 15 December 2010 and 10 February 2011, a package of net savings options of £15.577m was agreed for the financial year 2011/12. This report provides:

- an update on the progress towards the 2011/12 target;
- information on the current priority-based budgeting exercise which underpins the rolling five-year business plan as approved by council on 17 August 2011; and,
- an outline of the role of the Programme Management Office to support the delivery of the five-year business plan.

This report also:

- seeks to delegate authority to procure external support for the delivery of projects; and,
- proposes the establishment of one elected member working group to cover projects which are part of the Alternative Delivery Model Programme.

2. RECOMMENDATIONS

It is recommended that the committee:

- i. note the significant progress the council has made in delivering the approved PBB options for 2011/12;
- ii. note the process underway to update the five-year business plan and specifically the 2012/13 budget;
- iii. delegate authority to directors to commit up to £500,000 of their allocation, or their total amount if smaller, on the basis in each case that the appropriate convener and vice-convener are consulted and the commitment is reported to

- the working group (see recommendation iv) for information;
and,
iv. authorises the establishment of one working group to cover the projects, including LATC, of the Alternative Delivery Model Programme.

3. FINANCIAL IMPLICATIONS

- 3.1** Of the approved service options of £15.577m for 2011/12, £10.833m has been delivered as of Friday 26 August 2011. Appendix 1 shows the breakdown by directorate of actual savings delivered against the 2011/12 target.

The options for the remaining balance of £4.744m are monitored monthly and scheduled to be delivered between now and the end of 2011/12; other than where specifically detailed in the report.

- 3.2** There is a corporate provision for the costs associated with externalisation of projects with a value of approximately £4.4 million. These are earmarked as follows:

Corporate Governance	£1,618,000
Education, Culture and Sport	£350,000
Housing and Environment	£875,000
Enterprise, Planning and Infrastructure	£500,000
Social Care and Wellbeing	£810,000
Contingency	£250,000
TOTAL BUDGET	£4,403,000

Progress has been made across all the projects and it is now imperative that authorisation is given to expand the earmarked budget to procure external support to help deliver projects.

At all times, internal staff are being used where possible to deliver the projects. However, we are now at the stage, due to capacity or capability, that external support is required.

It is recommended that directors each be given delegated authority to commit up to £500,000 of their allocation, or their total amount if smaller, on the basis in each case that the appropriate convener and vice-convenor are consulted and the commitment is reported to the working group for information.

4. REPORT

4.1 2012/13 – Rolling Five-Year Business Plan – Priority-Based Budget (PBB2)

The five-year business plan was approved at council on 17 August 2011. This report outlines the timeline, using the priority-based budgeting process, for both the update of the rolling draft five-year business plan and revision of the draft 2012-13 budget.

An annual review and update is required to ensure the budget remains in line with changes in the council's priorities and emerging external factors which impact on the delivery of its objectives. It is also sound financial practice to continually revise and monitor a business plan.

Attached in appendix 2 is the project timeline for PBB2. This is based upon delivery of a draft budget to the Finance and Resources Committee on 6 December 2011. The delivery is dependant upon several 'streams' of activity – Internal & External Communication/Engagement, Finance Team (update of revenue & capital budgets), Workforce Planning and Services – all working together to the timeline; where several of the stages run concurrently and responsible officer(s) for each stage vary.

A number of briefings on the process have been held during September, with elected members and officers. The 2012/13 forecast budget is being updated by:

- Reviewing a number of assumptions that were made for the 2011/12 budget, based upon current economic, government and contractual guidance currently available. These will be examined to ascertain how sensitive they are to the business plan should market data change or more detailed information becomes available. For example, the level of general revenue grant, pay awards, council tax collected, demographic factors, waste disposal costs. This list is by no means exhaustive.
- Determining the impact of any movements and changes in legislation.
- Assessing the impact of changes identified through monitoring of 2011/12 service options on future years budgets.
- Identifying new options / areas of savings or cost pressures.
- Reviewing future years' service options

A series of challenge meetings are built into the PBB process to ensure that all existing and future options have been fully scrutinised and are the consolidated views of the Corporate Management Team which aligns the priorities of the council to the Single Outcome Agreement.

The directorate reviews are expected to be complete by the end of September 2011, and the corporate roundtable will take place early October 2011. Further detail on the challenge meetings is included at Appendix 3.

It is intended that the PBB 2 draft report will be presented to the 6 December 2011 Finance and Resources Committee.

4.2. Programme Management Office

The Programme Management Office (PMO) was set up in March 2011 to support the delivery of the five-year plan and the associated PBB savings options and also to improve the quality of project management and delivery across the council. Its formation addresses 10 audit actions identified by the internal auditors on improving project management practices in the council.

4.2.1. PMO Sponsoring Group

The Sponsoring Group oversees the work of the PMO and is made up of the Chief Executive, the directors plus the Senior Programme Manager. The group meets fortnightly to monitor the progress of the projects, programmes and other activities that deliver PBB savings, plus other projects the council is undertaking.

4.2.2. Programmes

The most complex PBB options are delivered as projects, managed by the service concerned and supported by the PMO. These projects are arranged into three programmes to realise economies of scale, co-ordinate support, and enable reuse of work and management of project interdependencies.

The three programmes are managed by programme managers in the PMO team. The programmes are as follows:

- a) Alternative delivery
- b) Corporate improvement
- c) Service improvement.

4.2.3. Monitoring and Reporting

The PMO carries out a range of monitoring and reporting activities to provide the Sponsoring Group with as clear a picture as possible of progress towards the delivery of PBB options.

In conjunction with relevant services, the PMO has set up a mechanism to continuously track the realisation of targeted PBB savings. The PMO makes a monthly report to the Sponsoring Group on the progress towards the savings targets.

The PMO, again in conjunction with relevant services has implemented a corporate change process to monitor and control changes to the PBB options. Significant changes to costs, benefits (savings) or scope are considered by the Sponsoring Group for discussion and approval.

The PMO reports monthly on the progress of the three corporate programmes. Monthly project reports are requested from the projects in these programmes. These reports are collated and presented to the Sponsoring Group for monitoring and scrutiny, escalating any serious issues or risks to delivery. The PMO will also be monitoring and recording all expenditure under the external support contract with KPMG / Pinsents and reporting this information monthly to the Sponsoring Group. The PMO will apply the existing corporate change control process to the contract to ensure visibility and accountability of any changes to the scope or cost of agreed work packages.

Finally, the PMO will be responsible for reports to the Sponsoring Group monitoring the expenditure relating to all external support.

4.3 Role of Elected Members

In order to ensure that elected members are kept up to date with the delivery of the Alternative Delivery Model Programme, one working group will be established to monitor the following projects:

- Alternative delivery of Corporate Governance
- Establish LA trading arm for adults and older people
- Property services LLP
- External delivery/equivalent of grounds maintenance and cleansing services
- Partnering arrangement for all AMO services
- Move to Cultural Trust

The benefits are: a single point of engagement with elected members; ability to see projects and their dependencies across the council; and, a reduction in duplication of officer and elected member time.

The purpose of the working group is to monitor the progress of projects and receive updates on expenditure relating to the projects.

5. IMPACT

The implications and risks of savings options were identified in the development of the respective options and are being managed and monitored as part of the delivery of the saving.

Monitoring of the options is carried out monthly at the Sponsoring Group as part of the corporate reporting mechanism managed by the PMO.

The activities of the PMO in supporting major projects, especially through its series of facilitated workshops, will improve the consistency of project management across the council, developing an ethos in the council of structured, standardised, reusable and visible project management techniques.

Equality and human rights impact assessment forms have already been completed as part of the budget-setting process.

6. REPORT AUTHOR DETAILS

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Appendix 1 – Savings Delivered (Breakdown by Directorate)

Year 2011/12 Net Savings	Target	Delivered to Date	%
Corporate Governance	(1,856)	(1,647)	89
Education, Culture & Sport	(2,767)	(890)	32
Enterprise, Planning & Infrastructure	(1,498)	(711)	47
Housing & Environment	(688)	(323)	47
Social Care & Wellbeing	(1,384)	(585)	42
Council Wide Options	(7,384)	(6,677)	90
Total	(15,577)	(10,833)	70

The sponsoring group have received and “approved” change control for the following options:

ACC_SO7 'Review & Rationalise Cross-Council ICT' has been shown as no longer feasible, resulting in a shortfall of £166k. The balance will be contained within the overall Council budget for 2011/12. A new Enterprise Architecture initiative is being developed, which may provide an alternative means to deliver the savings in subsequent years through more standardised IT applications and more efficient use of software licenses.