

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources	DATE 11 th March 2010
DIRECTOR	Stewart Carruth	
TITLE OF REPORT	Zero Based Budgeting	
REPORT NUMBER:	CG/10/052	

1. PURPOSE OF REPORT

This report seeks the approval of the Committee to allow the provision of delegated powers for the Director of Corporate Governance, City Chamberlain, City Solicitor and Head of Procurement to appoint a provider to assist in the implementation of Zero Based Budgeting principles across the Council.

2. RECOMMENDATION(S)

It is recommended the Committee approve:

- i. Officers conducting a fast track mini-competition through a nationally tendered framework agreement (Buying Solutions) to identify a provider to assist in the provision of Zero Based Budgeting implementation.
- ii. Delegated powers to allow the Director of Corporate Governance, City Chamberlain, City Solicitor and Head of Procurement to award the contract for this provision to the preferred bidder.

3. FINANCIAL IMPLICATIONS

The financial constraints the Council faces mean that we must deliver services in the challenging economic climate now and for the foreseeable future as we will need to manage further reductions in our funding. Future budgets will now be based on Zero Based Budgeting principles (starting from the position of zero and building the budget based on spending commitments and priorities) as opposed to the using the previous year's budget and adding a percentage increase. This method of budget building will help the Council to target expenditure where it is most needed.

It is proposed that the costs in relation to the preferred bidder are met from and taken as a commitment against the approved corporate investment fund budget.

4. SERVICE & COMMUNITY IMPACT

The overarching aim of the implementing the Zero Based Budgeting principles is to ensure that the Council is organised to deliver Best Value, to strengthen the

Councils overall accountability and its ability to deliver effectively the commitments set out in *Vibrant, Dynamic and Forward Looking* and the Single Outcome Agreement.

5. OTHER IMPLICATIONS

The resource impact on the City Chamberlain Service will be dependant on the level of required engagement with the chosen provider. There will also be a resource impact on every Service with a programme of corporate training required for operational managers and budget holders.

6. REPORT

The Council has committed in the 2010/2011 Budget to make all the necessary arrangements, including the commencement of a priority based budgeting approach to achieve a balanced budget for 2011/12 and future years.

Zero Based Budgeting is an approach to budgeting that starts from the premise that no costs or activities should be factored into the plans for the coming budget period, just because they figured in the costs or activities for the current or previous periods. Everything that is to be included in the budget must be considered and justified. This will allow Services to be developed at the right level, identify where the need to be refined or even stopped.

The key benefit is that Zero Based Budgeting serves to focus attention on the actual resources that are required in order to produce an output or outcome, rather than the percentage increase or decrease compared to the previous year. It is a practice which should be more user friendly to operational managers than the traditional incremental budget model. The process engenders a balanced partnership between the finance professionals and the budget holders in the analytical and decision making processes.

All public sector bodies in the UK have access to nationally EU Procurement compliant tendered contracts/frameworks for a broad spectrum of requirements through Buying Solutions (formerly Catalist). These frameworks offer efficiency by significantly reducing tender process timeframes and are commonly used. The procuring body will be commissioning work on the providers' terms and conditions and these have been reviewed by the City Solicitors' Office.

The framework agreement identified for utilisation is 'Finance' under Multi Disciplinary Consultancies. This particular framework provides for Effective Budgeting, Strategic Options Analysis, Resource Allocation and Strategy and Programme Management. There are ten firms listed under the framework and each will be given equal opportunity to submit proposals.

If approval is granted the mini-competition process will be concluded with a preferred bidder identified by the end of March 2010.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

N/A.