Draft Budget 2016-17, Guidance to other Committees

Introduction

1. This paper sets out initial guidance to other committees on the draft budget process for 2016-17

Timetable

2. The timing of the draft budget this year is dependent on the timing of the UK Spending Review which is likely to be carried out by the new UK Government following the general election on 7 May. Following the 2010 general election the draft budget wasn’t published until 17 November 2010.

3. On this basis it is likely that the timetable for the scrutiny of Draft Budget 2016-17 will be similar to last year. This means that the Finance Committee will publish its report on the draft budget in January 2016 and the debate on the report will be combined with the Stage 1 debate. The deadline for subject committees to report to the Finance Committee is, therefore, likely to be Friday 11 December.

4. These dates will be confirmed once the timings for the publication of the UK Spending Review and the draft budget are known.

Outcomes-Based Approach

5. The Committee recommended in its report on Draft Budget 2015-16 that there is much more emphasis within the budget process and financial scrutiny more generally on examining the impact of spending on outcomes. The Government responded:

“The assessment of outcomes is complex and it is neither practical nor feasible to attribute each pound spent to a single outcome. In reality, most interventions, actions and activities will influence a whole range of outcomes.

However, to support the work of the Parliamentary Committees in scrutinising the Draft Budget, this year for the first time, along with the performance scorecards, the Government provided a report which outlined the key choices we have made and a number of representative examples to demonstrate the inter-relationship between the Government’s activities, spending plans and Scotland Performs. These examples highlight the clear and evidenced link that exists between the priorities set out in the Draft Budget and improved outcomes for the people of Scotland. The intention is to build on this in future years to support the Parliament, as appropriate, in its scrutiny of the Draft Budget.”

6. The Committee agrees that the assessment of outcomes is complex and that it is not practical to attribute each pound spent to a single outcome. However, given

1http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Cabinet_Secretary_for_Finance_Constitution_and_Economy_to_Convener_dated_3_February_2015(1).pdf
that the Government itself has adopted an outcomes-based approach to its objectives it is essential that budget scrutiny includes consideration of how spending decisions are influenced by outcomes. As pointed out by Audit Scotland in a written submission to the Finance Committee:

“Scrutiny of budgets is a crucial step in the accountability process and contributes to fiscal transparency. However, scrutiny of outcomes against past budgets is equally important. Information about the cumulative effect of previous budget decisions and progress towards outcomes supports scrutiny of the budget proposals for the year ahead.”

7. However, until now the budget process has largely focused on the allocation of funding by the Scottish Ministers. There has been little consideration of how this money has been spent and what it has achieved. In particular, there has been hardly any scrutiny of the performance of Scotland’s public bodies which spend most of the money allocated by Ministers. The Committee has sought to address this imbalance by adopting the four principles of financial scrutiny: affordability; prioritisation; value for money; and budget processes.

8. The Committee wrote to subject committees on 16 January 2015 recommending that examining prioritisation and value for money should be an ongoing aspect of budget scrutiny and wider financial scrutiny. This should include scrutiny of the extent to which public bodies are adopting a priority-based budgeting approach and whether they are spending their allocations well and achieving outcomes.

National Performance Framework (NPF)

9. The Committee also recommended that there is much more scope to use the NPF in holding public bodies to account for the delivery of outcomes. Since 2007 the Government has adopted an outcomes-based approach to its objectives which includes partnership working with all Scotland’s public bodies which are required to align their own objectives with the NPF. The Government intends to place this approach on a statutory basis and all public bodies will be required to have regard to the national outcomes in delivering their devolved functions.

10. Public bodies are expected to demonstrate how their activity is aligned with the NPF through their corporate and business plans. Corporate plans generally cover three years and reflect the organisation’s strategic aims and objectives as agreed by the Scottish Ministers. Corporate plans should include:

- Key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute towards the achievement of the Government’s Purpose and alignment with the NPF;
- Indicators against which performance can be judged.

11. The corporate plan should inform the development of a separate annual business plan. The business plans for NDPBs “should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve
specific objectives can be identified.”

Public bodies are also required to publish an annual report together with audited accounts after the end of each financial year. The annual report should include the main activities and performance against agreed objectives and targets.

12. Audit Scotland suggest that the duty of Best Value (which applies to all public bodies in Scotland) has “the potential to underpin the National Performance Framework and the ‘management scorecard’ elements of Scotland Performs.”

Best Value is defined in the Scottish Public Finance Manual (SPFM) as:

- To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance,
- To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

13. The Government states on its website that success for it and all public bodies “is about impact and we should be judged by tangible improvements in the things that matter to the people of Scotland.”

It will work with public bodies to:

- “Align activity to connect explicitly to the Government’s over-arching purpose of sustainable economic growth through the National Performance Framework.
- Integrate activities better with local government, with other public bodies, and in partnership with the third sector and private sector, to deliver the Government’s Purpose Targets and National Outcomes.
- Focus activity and spend on achieving real and lasting benefits for people and minimise the time and expense on tasks which do not support this purpose.
- Create the conditions to release innovation and creativity to deliver better outcomes.”

14. The Government issued guidance to all public bodies in 2008 which states that “an outcomes-based approach will help to highlight how effectively or otherwise the key strategic spending programmes of public bodies, both individually and collectively (with other agencies or bodies), are supporting the achievement of outcomes.” Public bodies are expected to operate management information and accounting systems which enable them to review financial and non-financial performance against the strategic aims, objectives, targets and milestones set out in its corporate and business plans.

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15. The Committee recommends that subject committees may wish to examine the contribution which public bodies are making towards the national outcomes within the NPF as set out in their respective corporate and business plans.

16. The Committee has also previously recommended that subject committees scrutinise the contribution of public bodies within their respective remits to Community Planning Partnerships (CPPs), public sector reform and, in particular, the shift towards prevention.

Existing scrutiny

17. Some subject committees have recently started to scrutinise the performance of public bodies within their remits as part of their budget and financial scrutiny.

Health and Sport (H&S) Committee

18. The H&S Committee is currently examining the priorities and value of money being provided by NHS boards. This is the second phase of a two stage approach to budget scrutiny which it has adopted. The approach is outcome focused and a questionnaire has been sent to each health board seeking information on its performance. For example, how performance information influences budgetary decisions. The questionnaire also asks for performance information in relation to three of the national indicators within the NPF:

- Increase the proportion of babies with a healthy birth weight;
- Improve end of life care;
- Reduce emergency admissions to hospital.

19. Once the questionnaires have been received the Committee intends to take oral evidence from some health boards and from Scottish Government officials before publishing a report on its findings.

Education and Culture (EC) Committee

20. The Education and Culture Committee has agreed a longer-term approach to scrutinising spending decisions, outcomes and the Scottish Government’s performance framework. This includes “examining the spending decisions made and outcomes delivered by some of the key bodies within the Committee’s remit, namely Skills Development Scotland, Scottish Qualifications Authority, Education Scotland, Scottish Funding Council and Creative Scotland.”

21. The Committee welcomes this approach and notes that the work is being carried out by both subject committees as part of their on-going financial scrutiny and is not constrained by the timetable for draft budget scrutiny. The Committee would find it useful if the findings from this work could inform the scrutiny of future draft budgets. For example, through the key findings being reflected in the reports of subject committees to the Finance Committee.

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8http://www.scottish.parliament.uk/S4_EducationandCultureCommittee/General%20Documents/WP_2014.11_v2.pdf
The Committee believes that consideration of the performance of public bodies in delivering outcomes should inform the scrutiny of future allocations. For example, how performance information has been used by public bodies to adjust spending priorities. As demonstrated above this work does not have to be carried out at the same time as scrutiny of the draft budget.

Budget Strategy Phase (BSP)

In 2009 the Committee recommended the introduction of a BSP to replace Stage 1 which should be carried out at least once in each session of the parliament. The BSP is intended to allow the parliament to scrutinise the progress which the Scottish Government is making in delivering its objectives through its spending priorities.

The only BSP to have been carried out was included by the Committee as part of its scrutiny of Draft Budget 2014-15. The Committee consulted with the subject committees prior to summer recess before requesting performance evaluation information from the Government. The information provided by the Government alongside the draft budget was drawn primarily from the Scotland Performs website in the form of performance scorecards. The Government also provided updated scorecards alongside Draft Budget 2015-16 as well as “a report which outlined the key choices we have made and a number of representative examples to demonstrate the inter-relationship between the Government’s activities, spending plans and Scotland Performs.”

As noted above there is already some evidence that subject committees have begun to implement a more outcomes focused approach to budget scrutiny and a number of committees are also making increasing use of the NPF to inform their budget scrutiny.

The Committee considers that it is more effective to provide the subject committees with the flexibility to scrutinise outcomes throughout the parliamentary session rather than specifying a specific period when this work should be carried out. The Committee has recommended that the Scottish Government continues to publish the performance scorecards alongside the draft budget each year and that the BSP is replaced by a more flexible approach to the scrutiny of outcomes.

9 http://www.scottish.parliament.uk/S4_FinanceCommittee/Written_agreement_with_SG_-_Revised_December_2013.pdf
10 http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Cabinet_Secretary_for_Finance_Constitution_and_Economy_to_Convener_dated_3_February_2015(1).pdf