Can you describe the approach that your local authority has taken to both short-term and long-term budget planning since the onset of the financial crisis? For example, has your local authority taken a “zero-based” approach, or has it set out a range of options for savings? Please supply any relevant supporting documentation, for example copies of any budget planning exercises, etc.

Approach to identifying required savings

2010/11 to 2012/13

On the basis of the timeframe set out in the invitation to comment, the Council’s basic approach to developing its budget since 2010/11 has been grounded upon the “5Ps” (and latterly 6Ps) framework. This has involved systematic review of savings opportunities across the areas of property, procurement, processes, prioritisation, people and, latterly, prevention, although the relative emphasis amongst these has changed somewhat over that time.

Up until the 2012/13 budget process, in addition to exploring opportunities for savings across corporate areas such as property and procurement, service areas were issued with savings targets, with the options identified by service directors then subject to elected member consideration. These targets did to an extent, however, take account of the relative ability of services to deliver savings with, for example, a lower target applied to Children and Families in recognition of the influence of class size commitments on required teacher numbers.

The overall level of savings requiring to be identified in recent years has been increased by a number of inflation-linked expenditure commitments and, in particular, a policy decision to fund the principal demand-led pressures linked to changing demography (such as increasing numbers of older people and those with physical and/or learning disabilities) or wider societal change (particularly increases in numbers of at-risk children). Despite these challenges, in the case of 2011/12’s Budget where the Council’s revenue grant decreased by some 3%, alongside a continuing freeze applied to the level of Council Tax, over 75% of savings approved were still classified as efficiencies, with the balance of savings informed by a service prioritisation and public consultation exercise.

As employee costs represent around 43% of the Council’s overall budget, reductions in employee costs have played a key role in meeting overall savings requirements. In general terms, these savings have been achieved through vacancy freezes, reduced use of agency and temporary staff, lower levels of sickness absence (particularly where this has a direct financial impact in terms of a consequent need for cover and/or overtime), and redeployment, alongside low-cost, voluntary options for staff to leave the organisation. The newly-elected Administration’s formal
establishment of a no compulsory redundancy policy will heighten the need for co-ordinated action to secure the level of reduction required.
Priority-Based Planning

For the 2013/14 budget process, for the first time the Council adopted a Priority-Based Planning (PBP) approach to development of its budget with the aim of aligning resources more closely to its priority outcomes and deploying them in a way that best contributes to their delivery. In contrast to previous budget processes and coupled with a relatively modest savings requirement in 2013/14, the five-year framework issued in November 2012 therefore included a number of service investments with the aim of transforming services and/or otherwise investing in them to deliver substantial savings in future years. This principle of allocating upfront expenditure to deliver longer-term savings had also featured in the 2012/13 Budget which made provision for substantial enabling investment in procurement, right first time road repairs and the Internal Improvement Plans for the areas formerly within the scope of the Alternative Business Models (ABM) project.

The PBP process involved wholesale review of the full range of existing Council activity, with services mapped according to the extent to which they contributed to the Council’s strategic themes, thereby informing where additional savings and/or investment opportunities might be pursued. One such option, aligned to the Council’s commitment to give every child in the city the best start in life, involves substantial investment in recruitment and retention of its own carers, with a consequent reduction in the use of more expensive independent agencies. This initiative therefore combines the potential for improving outcomes for those in care by keeping them closer to their families and local communities whilst also delivering significant associated financial benefits.

Whilst adoption of a PBP approach has been helpful in focusing attention more closely on what the Council is seeking to achieve and how resources are best allocated within the confines of a reducing real-terms budget, it is acknowledged that the 2013/14 budget marks the beginning, rather than the end, of this process. The Council’s ruling Administration has therefore signalled its intention to build on this initial work by issuing a draft 2014/15 budget for public engagement and consultation by September 2013. One area that has been highlighted for further work is a redesign of services around the principles of prevention and early intervention. While the benefits of such an approach may in some cases take many years to accrue, refocusing services in this way provides the opportunity both to improve substantially outcomes for service users and to tap into the 40% of net expenditure the Christie Commission’s research indicated could have been avoided in the first place, creating a virtuous cycle of investment in prevention.

Can you describe the consultation that your local authority undertook on your budget plans, both with stakeholders and the general public?

As noted above, May 2012 saw a change of Administration and with that, a change in approach in the form of public consultation adopted for the 2013/14 budget.

With regard to the 2011/12 budget, however, in common with Scotland’s other local authorities, the Council faced a significant cash-terms reduction in its grant allocation. In acknowledging the challenge this posed, a two-stage process was adopted, with £16m of savings options largely involving streamlining of management
and other back-office functions (termed “Package 1”) approved in the preceding September. This allowed additional time to be devoted to member and public consideration of Packages 2 and 3 for which the focus was more on frontline service provision. A series of public meetings was held across the city culminating in a “city summit” to discuss priorities prior to the setting of the budget in February 2011. These public meetings were complemented by other means of capturing stakeholder feedback, including an on-line survey, use of social media and production of briefing materials for use in community group discussions. In total, over 2,000 responses were received across these various channels and these were used to inform the content of the final budget.

The approach adopted for the 2013/14 budget was somewhat different in that, for the first time, the Capital Coalition set out a range of proposals that, together with previously-approved decisions, resulted in a balanced budget and provided indicative figures for the remaining years of the five-year framework. This draft budget was issued for public consultation and stakeholder engagement in mid-November, with an opportunity to lodge comments until early-January. It was acknowledged that this comparatively short timescale may have contributed to the modest public response and providing an increased opportunity for public and stakeholder consultation is therefore the key driver in publishing the draft 2014/15 budget by the end of September 2013.

As with the 2011/12 process, a range of media was used to support the 2013/14 budget consultation, including both an on-line and paper-based survey, social media (including a budget-themed Twitter session) and briefing materials for public- and community-based meetings.

How have the outcomes of your consultation fed into and influenced your budget plans?

Subject to the overriding need to set a balanced budget, account has been taken of public and other stakeholder views expressed as part of public consultation exercises. In most cases, this has reaffirmed the emphasis on exploring savings opportunities through back-office functions, management de-layering and Council-wide analysis in areas such as property and procurement. In the context of the 2013/14 budget, feedback from the public consultation exercise played a significant role in reinstating funding to third sector organisations and continuing investment in the Edinburgh Guarantee (a programme of investment in job opportunities and associated training for school leavers) and employability functions. Public consultation feedback also influenced the decision in 2012/13 to lessen the level of funding reduction to be applied to library and public conveniences within the city.

Going forward, the Council will continue to invest greater sums in preventative spend, a concept that, on the basis of consultation results, has broad public support, subject to safeguarding outcomes for those in acute need. More generally, the budget process is now seen as part of an ongoing conversation with citizens and other interest groups, allowing plans to evolve as understanding of their priorities increases.
What involvement has there been from external consultants/advisers in your budget planning and what influence has this involvement had on your final budget plans?

While overall control of the budget planning and strategy has remained with officers, given that it represented a distinct step change for the Council, external consultants were appointed to help take forward the PBP initiative. An intensive period of analysis of existing spend, Council priorities and development of service options took place in the early months of 2012, resulting in the publication of a draft budget framework in November 2012. Now that the foundations of a PBP approach have been established, use of external consultants has reduced, with the Council coordinating work streams to deliver detailed operational plans in these areas. Given the extent of savings targeted from procurement, however, proposals in this area will continue to be developed in conjunction with external advisors as part of a gain-share arrangement. External advice will be utilised in other areas only where the requisite skills and expertise are assessed not to be available in-house and where it is therefore cost-effective to do so.