

REPORT TO EXECUTIVE			
PORTFOLIO AREA: FINANCE AND RESOURCES			
Date of Meeting:	19 December 2002		
Public			
Key Decision:	Yes	Recorded in Forward Plan:	Yes
Inside Policy Framework			

**Title:** INTEGRATING STRATEGIC PLANNING WITH THREE YEAR BUDGETING

**Report of:** TOWN CLERK & CHIEF EXECUTIVE / HEAD OF FINANCE

**Report reference:** CE.01/02 / FS. 05/02

**Summary:**

The purpose of this report is to establish the process and timetable to achieve improvement in the delivery of the Council's objectives and priorities. This should be achieved through the development of the financial framework and integration of a stringent process for establishing and reviewing priorities within the corporate planning and budget process.

**Recommendations:**

As listed at the end of this report.

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Integrating Strategic Planning with 3 Year Budgeting and proposals for improvement to priority setting

1. INTRODUCTION

The purpose of this report is to seek to sharpen the focus of corporate priority setting and to achieve improvement in the delivery of the Council's objectives and priorities. This should be achieved through the development and integration of the financial framework with the corporate planning and budgeting process.

The Council is establishing a medium term planning through the Corporate Plan and the framework of a three-year financial budget, although more remains to be done. The features required in future are:

- A comprehensive strategic planning mechanism that generates clear short to medium term objectives and targets which are relevant both at corporate and service delivery level.
- A process, timetable and series of milestones to achieve the above.
- The above to be informed by a budgeting mechanism that delivers as firm as possible an indication of the levels of funding available in the three year period ahead.

It is recognised that the operation of such a process is not easy and will be improved and refined over a period of time. The proposals contained within this report therefore represent a pragmatic approach, which will be developed through practical experience. The intention is that the principles established within this report will be widely used and embedded within the management, planning and monitoring processes of the Council to help drive forward improvement.

## 2. BUDGET DRIVERS

To achieve comprehensive business planning mechanisms, the current separate processes of strategic planning and budgeting need to be combined. The context for this integration is:

- The Council's priorities as set out in the 13 Quality of Life Objectives and 8 Council Management Objectives and 202 actions set out within the Council's Corporate Plan 2002/05 'Creating a Brighter Future'.
- The service priorities of the twelve new business units set out in Business Service Plans.
- Government priorities and any ring fencing of central Government funding to support Government priorities.
- The cost of each service activity undertaken by the Council and the outcome achieved.
- The Council's preferred method of service delivery and how, for example, Council policies such as the establishment of Trusts and Partnerships to manage services will influence future allocation of resources.
- The influence of Best Value Reviews and how these challenge core budgets and the allocation of resources to achieve Action Plans emanating from Best Value Reviews.
- Benchmarking of the Council's costs and performance with respect to other Authorities with similar profiles.

## 3. The Budget Process

The three-year budget 2003/04 to 2005/06 first forecast was given by the City Treasurer in Financial Memo 2002/03 No.7 in May 2002, and a summary of the budget timetable 2003/04 was set out in Financial Memo 2002/03 No 29 on 29 July 2002. Since then a series of further budget reports have been considered by the Executive with an updated forecast being considered at the meeting of 25 November 2002 together with the main Service Departments estimates. The final budget projections for Consultation purposes are considered elsewhere on this agenda.

## 4. Strategic plan Principles

Following the first forecast, the Executive produced a set of principles to guide the strategic production. However this needs to be further developed. It is proposed that the three-year strategic plan be underpinned by a series of principles, which will assist through:

- Identifying community priorities through the Corporate Plan and allocating resources to them;
- Focussing on strategic decisions to bring real improvements into performance and service delivery;

Moving away from year on year negotiations over detailed budget changes, which represent a small fraction of the Council’s expenditure;

- Involving the Community through consultation;
- Further prioritisation in future;
- Setting a three year planning horizon, longer where necessary;
- A focus on outcomes and improvements;
  
- The development of three-year business plans for each Business Unit to demonstrate how corporate priorities and targets will be achieved and services developed within a strategic framework;
- Recognition that the integration of strategic planning and budgeting will be an evolutionary process achieved over a number of years and will be supported by cultural change where open and joint working is encouraged.
- A clear annual timetable with identified responsibilities for monitoring and reporting.

5. The STRATEGIC PLANNING Timetable

On the basis of the Council's experience thus far and the planning principles above, the following revised and integrated budget cycle is proposed. It begins with a corporate review to provide an overall context for more detailed Business Unit reviews. The budget is then set in the light of agreed priorities for the following financial year on the basis of a rolling three year budget, ensuring that policy decisions are supported by a realistic appraisal of the resources available. For the timetable to be meaningful and capable of delivering a coherent planning process will require a strict reporting discipline to be established.

Date	Action	Officer Responsible	Member Responsibilities
January	Council’s key medium term priorities set	Head of Strategic & Performance Services	The Executive recommending to Council for decision
February	Budget Set for coming financial year - Plus initiation of rolling annual forecast of three-year financial plan produced	Head of Finance	The Executive recommending to Council for decision
March	Review of Business Unit Performance Business Units business plans revised for the year in the light of the agreed budget projections.	Executive Directors, Head of Finance and Head of Strategic & Performance Services and Head of Service	Executive with reference to Overview and Scrutiny

	Action	Officer	Member
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Date		Responsible	Responsibilities
April	PI quarterly report  (Jan / March PI Quarterly report)	Business Unit Heads	Executive Member – Strategy and Performance and Overview and Scrutiny
April	Implementation of Agreed Budget - Current year budget implemented.	Business Unit Heads	Executive Members
May / June	Corporate Plan Overview and Review  Contextual review including: Corporate Plan performance (delivery of objectives and priorities), PI outturn report for previous year (and full year appraisal for reporting in BVPP – June if required).  Overview and Scrutiny consider the recommendations and financial affects arising from Best Value Action Plans	Executive Directors         Heads of Business Units	Overview & Scrutiny and Executive Member Strategy & Performance         Overview & Scrutiny Management Committee
June	<b>Financial Overview</b>  Financial overview setting the financial context including previous year outturn.  Rolling three year budget first forecast of constraints and perimeters. Based on Government grant assessment and big issues fed through context. Executive issue budget guidance & principles.  Financial context for the review of fees and charges.	Head of Finance	Executive Member – Finance & Resources and the Council
Date	Action	Officer Responsible	Member Responsibilities
June	Initial Priorities	Executive	Executive

	Initial priority setting and consultation.	Directors	Members
June	Agree Capital Strategy and Asset Management Plan including prioritisation.	Head of Finance Head of Property Services	Executive Members – Lead by Finance & Resources then Council for decision
July	PI Quarterly Report (Apr / Jun PI Quarterly report)	Heads of Business Units	Executive Member – Strategy and Performance and Overview and Scrutiny
July	First budget monitoring report (April to June)  To Executive and Overview and Scrutiny.	Heads of Business Units  Head of Finance	Executive Member – Finance and Resources and Overview and Scrutiny
July	Business Unit three-year plans revised in accordance with the corporate overview.	Heads of Business Units & Executive Directors	Relevant Executive Member
August	Results of review of fees and charges	Business Unit Heads and Executive Directors	Executive Member – Finance & Resources and Overview and Scrutiny, then Council for distribution
August	Presentation of Final Outturn – Final financial position for previous year.	Head of Finance	Executive Member – Finance & Resources then Council
Date	Action	Officer Responsible	Member Responsibilities
September	Individual Reports of detailed proposals for budgetary change and priorities in	Heads of Business Units to CMT, JMT or	Relevant Executive Member with

	accordance with corporate business plans.	Executive?	Overview & Scrutiny consideration
October	Second Budget monitoring report (July to September)	Head of Finance	Executive Member – Finance & Resources and Overview and Scrutiny
October	PI Quarterly Report (Jul / Sept PI Quarterly report)	Heads of Business Units	Executive Member – Strategy and Performance and Overview and Scrutiny
October / November	Initial detailed base estimates including learning from previous year.	Head of Finance	Executive Member – Finance & Resources and Overview and Scrutiny
Early December	Government Grant announcement.	Head of Finance	Executive and Council
December	Executive form draft budget Budget targets set for each area of service.	Head of Finance	The Executive – Finance & Resources
December	Public and other budget Consultation.	Head of Strategic & Performance Services	Executive Member – Finance & Resources
January	PI Quarterly Report (Oct / Dec PI Quarterly Report)	Heads of Business Units	Executive Member – Strategy and Performance and O & Scrutiny
Date	Action	Officer Responsible	Member Responsibilities
February	Third Budget Monitoring Report (October to January)	Head of Finance	Executive Member – Finance & Resources and Overview and Scrutiny

February	PI Quarterly Report	Heads of Business Units	Executive Member – Strategy and Performance and Overview and Scrutiny
February	Council considers budget based on recommendations from the Executive with proposals for savings and growth linked to service implications.	Head of Finance	The Executive recommends to Council
February	Budget & Council Tax Set	Head of Finance	The Council
February	Precepts from other Authorities received - Council Tax proposed for following year	Head of Finance	The Council

## 6. Capital Programme and Asset Management Plan

The above timetable integrates the timetables for the Capital Strategy and Asset Management Plan and the regular Performance Indicator (PI) reports currently submitted to the Executive and Overview and Scrutiny on financial monitoring and quarterly monitoring of performance information.

## 7. BUSINESS PLANS

A new simple and effective template is being constructed, to ensure a corporate approach in the preparation of Business Plans. Each Business Unit will have its own Plan, which will be developed from the existing Service Plans where appropriate. The Plan will describe the core service and its contribution to corporate objectives and set out a statement of resources and finance. It will include the required performance objectives of the Unit including Performance Indicators targets and the corporate priorities to be achieved by the Unit. The financial information within the Plan will be that necessary for managing the Business Unit in the following year and for projecting financial change over the three-year period. Business Plans will make clear the link between the actions or targets and the Corporate Plan and will inform the direction of the business in the Corporate Plan itself.

## 8. Service Level Agreements

Under the CIPFA Best Value Accounting Code of Practice, central services must be fully recharged to the services they support. To regulate, monitor and agree standards and cost recharges between Business Units, each Business Unit which is a central service provider, will agree Service Level Agreements (SLA) with other Business Units to include: a definition of the service, the required standards, performance measures, costs, resources to be made available and methods for review and variation. The Central Service providing Business Units are, Legal and Democratic Services, Financial Services, Member Support and Employee Services, Customer and Information Services, Debtors (Revenues and Benefits Services), Strategic and Performance Services, Property Services and the Executive Management function.

## 9. Financial Information and Management Systems

The Head of Finance has made a financial bid within the 2003/04 budget for a one off sum to allow the

introduction of a new modern financial management system to be introduced within the Authority. This will improve the quality and profiling of estimates, financial control, the availability of more easily interpreted financial information, active management accounting and more flexible reporting. Other benefits should include easier generation of performance information, more manageable commitment accounting (and robust audit trails) together with being a more user friendly and manageable management information system. It should also aid three-year budget projections by the availability of more budget fields.

Separate but linked proposals are also being investigated to introduce electronic performance indicator monitoring and reporting. These will allow for more frequent and useable performance data, which will be integrated with the financial reports identified above. A priority for 2003/04 will be the introduction and training of staff on these systems, which may be a priority for action within the training budget.

The issue of information management generally within the Authority is additionally being reviewed by the Head of Customer and Information Services with a view to reviewing the Authority's approach to the management of information, databases and linkages with initiatives such as NLPG, GIS, the IEG Strategy and the proposed new arrangements for customer contact.

## 10. Prioritising Future Expenditure

The Executive has announced its intention to consult the public and stakeholders on its budget priorities for the future and is also undertaking an opinion survey on the views of local residents on the performance of the Council to inform improvement planning. Specific questions will be asked within the opinion survey to identify the public's views and partner's views on the relative priority between the 13 quality of life objectives set out in the Corporate Plan, the results of which will be reported to the Executive.

The options are grouped by Business Unit and quality of life objectives and the citizen feedback will help the Executive in proposing to the Council the relative priorities for change.

Additionally, the Corporate Plan contains some 202 specific "priorities" for action set out in targets for year one and years two/three, each of which has been apportioned to an officer and an Executive Member. A stock-take of the level of delivery of these objectives is currently being undertaken and it is proposed that a further report is prepared for the next meeting of the Executive setting out those priorities yet to be achieved by reference to strategic objective and that each portfolio holder takes the lead, in consultation, in prioritising the actions yet to be achieved. It is clear that the number of tasks is high and further prioritisation is required. It will also be prudent for future Corporate Plans to rank priorities in order of importance and corporate contribution.

To inform the above, it is further proposed that a parallel survey of all Council Members and staff be undertaken with respect to the quality of life objectives, management objectives and tasks within the Corporate Plan to assist in establishing their priority and to assist the Executive in its recommendation to Council on the resource allocation process for the years 2003 and beyond.

## 11. STAFFING/RESOURCES COMMENTS

None.

## 12. HEAD OF FINANCIAL SERVICES

The Head of Financial Services has been consulted during the preparation of this report.

## 13. LEGAL COMMENTS



None.

#### 14. CORPORATE COMMENTS

Included within this report.

#### 15. RISK MANAGEMENT ASSESSMENT

N/A

#### 16. EQUALITY ISSUES

None.

#### 17. ENVIRONMENTAL IMPLICATIONS

None.

#### 18. CRIME AND DISORDER IMPLICATIONS

None

#### 19. RECOMMENDATIONS

The Executive is requested to agree:

- i. That this report be considered by the Corporate Resources Overview & Scrutiny Committee.
- ii. To recommend to the Council the revised and integrated planning cycle set out in paragraph 5.
- iii. To agree the planning principles set out in paragraph 4, to be used to underpin the three-year strategic planning.
- iv. To agree the proposals for improved business planning and Service Level Agreements.
- v. To support the improvements being made to financial management and performance reporting.
- vi. To note the results of citizen opinion survey and Member and Officer survey will be reported in due course.

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