

REPORT TO OVERVIEW & SCRUTINY COMMITTEE

Report No.10

Date of Meeting	7 February 2007
Title of Report	Budget Planning Process
Link to Corporate Priorities	All
Key Decision	No
Public Report	Yes

Summary of Report

To summarise the budget planning and consultation process leading up to the budget proposals for 2007/08 and to invite Overview and Scrutiny members to review the process and propose improvements for the following year.

To propose a way of strengthening the links between financial planning and service planning that will enable cost and performance to be assessed by Overview and Scrutiny Committee as part of the Policy and Budget Framework process.

Officer Recommendations

1. To assess the budget planning and consultation process for the 2007/08 budget and recommend improvements for next year to the Executive.
2. To consider the suggested improvements for the medium term planning process as outlined in this report and recommend to the Executive as appropriate.

Other than those implications agreed with the relevant Officers and referred to below, there are no other implications associated with this report.

Financial Implications	Legal Implications	Community & Environmental Implications	Human Resources Implications	Equality & Diversity Implications
Yes	None	None	None	None

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1. Introduction

- 1.1. This report proposes major improvements to the way the Council shapes its future.
- 1.2. For the first time these proposals will integrate performance, political priorities and financial planning.
- 1.3. This will also streamline the members' decision-making process for the Corporate Plan and budget.

2. Options and Options Appraisal

- 2.1. Option 1 – to consider the budget planning and consultation process for 2007/08 budget and to recommend improvements for next year. This is the preferred option.
- 2.2. Option 2 – to consider the budget planning and consultation process for the 2007/08 budget and not to recommend any changes for next year.

3. Policy & Budget Framework

- 3.1. Council approved a new Policy and Budget Framework on 25 April 2006. A diagram summarising the main stages in this Framework is shown in Appendix 1.
- 3.2. The Policy & Budget Framework agreed by Council in April 2006 is a framework to encourage discussion and decisions about priorities, services, performance, and the resources to deliver them. To enable the framework to work effectively and provide members with the right information it must be supported by timely and robust information:
 - Consultation views from service users and the general public
 - Performance information
 - Financial information
- 3.3. The medium term planning process, that leads to the Medium Term Finance Plan and the Service Plans is part of the Policy and Budget framework. Medium term planning should aid a reprioritisation of services and budgets and set the scene for tough decisions that members will need to make to deliver ongoing (cashable) efficiency savings, within the increasingly tight budget settlements anticipated from the Government.

4. Budget Planning and Consultation for 2007/08 Budget

- 4.1. Consultation on the budget is a matter for the Council to determine. Government guidelines on budget consultation state:

"Councils are of course democratically accountable to their electorates. Within this context and taking account of its statutory responsibilities, it is for each local authority to decide its budget and what it spends its money on, balancing the competing priorities of a whole range of services. We believe councils should be taking into account the views of local people on how their money should be spent but it is for them to decide the most appropriate way to seek those views. There have been instances in the past, in Milton Keynes and Bristol for example, where councils have carried out ballots to decide on the level of council tax increases."

- 4.2. The budget planning and consultation for preparing the Corporate Plan for 2007/10 and the budget for 2007/08 and beyond has been undertaken in line with the agreed Framework.
- 4.3. The report to Council in April 2006 set out a timetable for budget consultation for the 2007/08 budget. Appendix 2 sets out what was agreed and what was achieved against this timetable and summarises the main feedback (as reported to Council on 30 January 2007).
- 4.4. Members are requested to consider what improvements could be made to the consultation process for the 2008/09 budget.
- 4.5. Appendix 5 shows a revised timetable for the coming year, covering preparation of the Corporate Plan and budget, closedown of the 2006/07 accounts (a process addressed by the Final Accounts and Audit Committee) and the in-year monitoring of the budget, performance indicators and the Corporate Plan.

5. Roles of Member Bodies in Medium Term Planning

- 5.1. Member bodies engaged with the budget planning for 2007/08 were as follows:
- 5.2. Budget and Strategic Planning Working Group: A cross-party working group with the following terms of reference:
- *To review the Council's strategic intentions and establish corporate priorities and objectives for future financial years, linked to the annual review of the Corporate Plan.*
 - *To consider, review and report upon the Council's Medium Term Financial Plan and looking ahead to the long term financial strategy for the authority.*
 - *To consider and establish a detailed framework for the budget and strategic planning process, based upon the proposals outlined in this report.*
 - *To consider future revenue and capital expenditure and estimates in consultation with budget holders and Lead members.*
 - *To make recommendations to the Executive in respect of the Council's policy and budget framework.*
- 5.3. Overview and Scrutiny Committee, whose terms of reference include the following:
13. *to monitor that effective performance and financial management arrangements are in place and to make recommendations to the Executive accordingly.*
- 5.4. Performance Management Task Group (a task group of Overview & Scrutiny) with the following terms of reference:
1. *Compare information with bench mark authorities over 3 year period 2003 – 2006 to identify trends.*
 2. *Identify areas of poor performance and priorities for improvement to feed into Member Policy Day which is set up to provide views on corporate priorities and non-priorities*

3. *Consider Draft Business/Service Plans including growth and savings items and reasonableness of targets. Focus should be on areas poor performance that are priorities.*
4. *Consider the results of the Audit Commission Report on NWDC's arrangements for monitoring and reviewing performance, including arrangements to ensure data quality.*
5. *Review Budget consultation process and suggest improvements for next year.*
6. *Consider whether draft Corporate Plan adequately reflects the budget consultation.*

6. Future Role for Overview and Scrutiny Committee

- 6.1. It is suggested that for the 2008/09 medium term planning process, the role undertaken by the Performance Management Task Group under its terms of reference numbers 3, 5 and 6 be carried out by the main Overview and Scrutiny Committee. This would remove the overlap in responsibilities and clarify the roles for member bodies in the coming year.
- 6.2. It is also suggested that – in line with the Policy and Budget Framework, Overview and Scrutiny Committee should have a role at the beginning of the medium term planning process each year and not just review what has been done at the end of the process.
- 6.3. Section 7 of this report sets out proposals for strengthening the medium term planning process, making clearer links between financial and service planning, within the overall Policy and Budget Framework.

7. Strengthening Medium Term Planning

- 7.1. There are two key stages that need to be addressed in medium term planning:
 1. From May to August each year: Deciding upon the level of performance and priorities for the Council over the medium term (3 years) and building a medium term planning matrix to support these decisions. This is set out in sections 7.2 to 7.6 below.
 2. From September to October each year: Calculating growth or reductions for service (and cross-service activity) budgets, based on prioritisation within the medium term planning matrix.
- 7.2. The rest of this report concentrates on the first of these stages.
- 7.3. **Strategic Audit, Corporate Priorities and Establishing Corporate Focus**
 - 7.3.1. Between May and August, members and managers should consider a “big picture” strategic audit of the issues facing North Wiltshire. The first Member Policy Day in the financial year should play a key role in this strategic audit and focus on:
 - demographic and community issues;
 - customer satisfaction with Council services;
 - performance of major services;
 - progress made on Improvement Plans

- current priorities – informed by consultation with the public and partner organisations, the community strategy and the Local Area Agreement;
- major challenges and emerging issues facing the area and the Council
- financial and resources prospects.

7.3.2. The strategic audit would then be used to refine the Council's priorities and to establish the "corporate focus" on any service or activity over the medium term. Corporate focus is the relative importance of a service (or cross-service activity) in achieving the Council's priorities. Therefore:

- High Corporate Focus = a major contribution to one or more priorities.
- Medium Corporate Focus = some contribution to one or more priorities.
- Low Corporate Focus = not a significant contribution to one or more priorities.

7.3.3. This does not mean that services with a low corporate focus are unimportant. Services with a lower corporate focus may support or contribute to the delivery of services with a higher corporate focus, or may be mandatory services. However, the Council needs to make sure *all* services (and cross-service activities) are being provided to an appropriate standard and are efficient, effective and economic.

7.4. **Service Planning Parameters**

7.4.1. Each service (or cross-service activity) should be mapped against explicit service planning parameters to provide a clear focus for action by:

- guiding the development of 3 year service plans based on clear options for change, improving efficiency and demonstrating value for money;
- linking services and change to corporate and service priorities; and
- linking priorities to resources by informing next year's budget and the medium term financial plan.

7.4.2. The service planning parameters would provide a general guide for services – a direction of travel - but they may not cover all circumstances and should be used flexibly. There should always be room for discussion. Just like other parts of the Policy and Budget Framework, the service planning parameters are there to generate debate not to be seen as a rigid set of rules.

7.4.3. Using service planning parameters will help to avoid an across the board 'bidding for growth' process that places little weight on priorities and improving effectiveness and efficiency.

7.5. **Service Planning Parameter Components**

7.5.1. Service planning parameters aim to balance information on performance, cost and contribution to Corporate priorities, providing guidance for planning the Council's services and budgets.

7.5.2. As a result, different services would have different directions of travel, reflecting their corporate focus, performance and current costs.

7.5.3. The proposed service planning parameters have five components:

- Scope/Level of Service
- Performance
- Financial Resources
- Pace of Change
- Management and Political Focus

Appendix 4 sets out a description of each component.

7.5.4. The structure of the service planning parameters is consistent with the judgement criteria in the annual Use of Resources assessment carried out by the Audit Commission. This approach to medium term planning has been used for several years in other authorities, including Milton Keynes, with the approval of the Audit Commission.

7.5.5. The service planning parameters have been set to be consistent with the national efficiency targets for local government of 3% cashable efficiency savings each year from 2008/09 onwards (as a result of the Comprehensive Spending Review 2007).

7.6. **Using the Service Planning Parameters:**

7.6.1. The service planning parameters aim to provide a clear focus for action on performance/contribution and cost within service plans and in financial and other resource planning.

7.6.2. For example, it would be reasonable for managers, members and customers to expect:

- a low performing service of a high or medium corporate focus to improve their performance/contribution within the same or less financial resources if costs are medium or high;
- a high cost service (if there is no demonstrable and justified higher level of service) to address its high costs before bidding for growth. If it is a service of high relative corporate focus, the service may propose that savings are re-invested in the service to increase the impact on corporate priorities by improving the service;
- a lower corporate focus service with high costs to not only address its high costs but to examine the potential to reduce the level of service (if possible) or to stop providing the service.

7.6.3. The parameters should be used to inform the service plans, particularly:

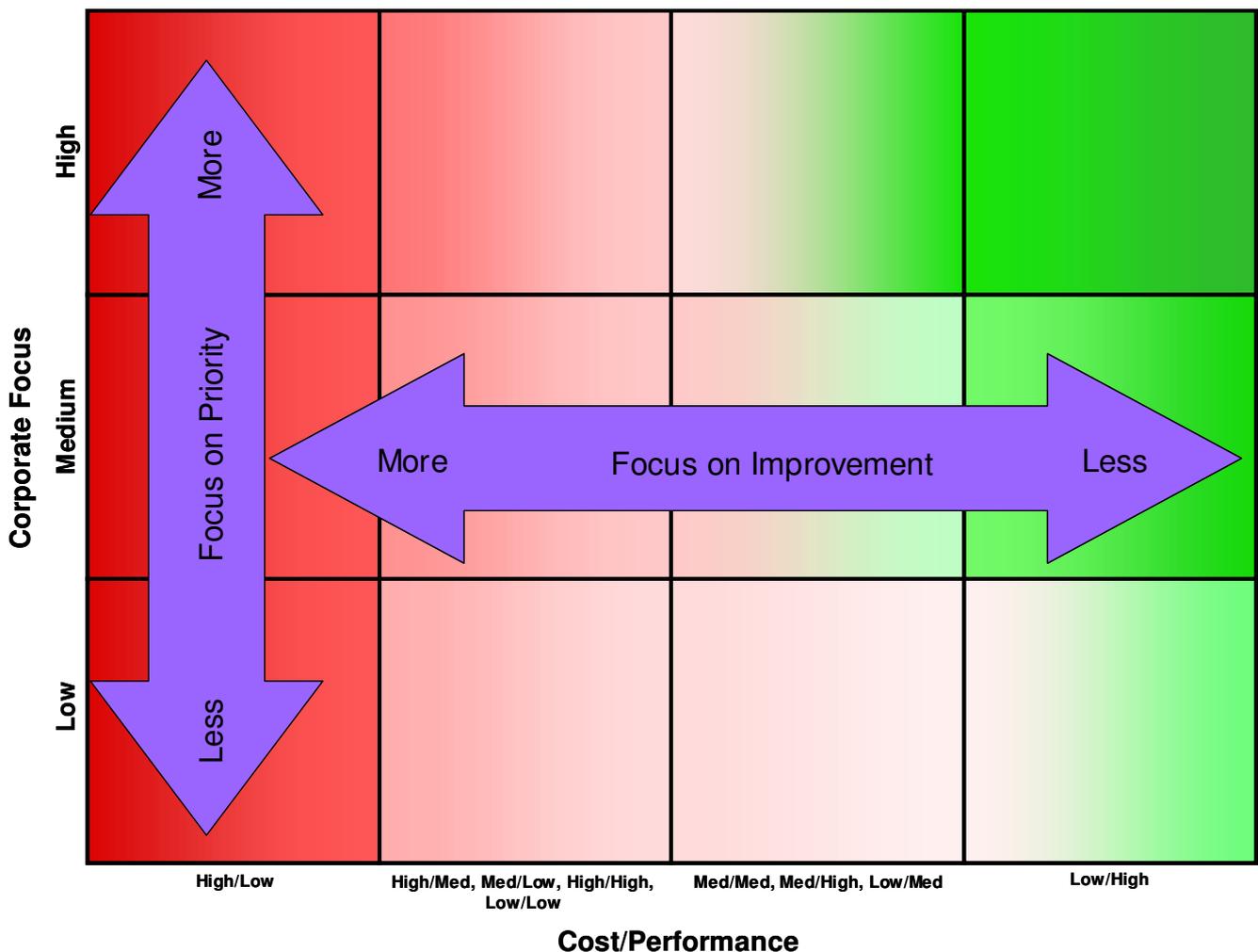
- range, level and quality of services;
- budget planning, including fees and charges
- efficiency planning
- people management
- asset management (which may give rise to investment needs);
- action planning; and
- linking the above with developing 3 year key and management performance indicators/measures.

- 7.6.4. Service planning guidelines were reviewed in 2006/07 and will need further development during 2007/08 to include the proposals set out in this report.
- 7.6.5. The service planning parameters are then used to create a medium term planning matrix that will greatly assist in the integration of financial and service planning.
- 7.6.6. It is suggested that Overview and Scrutiny Committee should review the medium term planning matrix in September/October 2007 to provide views and challenge the service and financial planning in line with their terms of reference.

7.7. The Medium Term Planning Matrix:

- 7.7.1. This diagram shows how services and cross-service activities can then be plotted on a matrix, relative to their corporate focus and the service planning parameters.
- 7.7.2. A service's actual position on the matrix provides a starting point to debate relative corporate focus, ambition, financial and people capacity and what to focus on in terms of options for change.
- 7.7.3. The options for change (unavoidable growth, efficiency, income, reductions and investment in priority services) flowing from this matrix should, after review by members and managers be included in the budget and the MTFP.

The Medium Term Planning Matrix:



- 7.7.4. The detail of this matrix is set out in Appendix 5.

8. Financial Implications

- 8.1. The proposed process will improve the strategic financial timetable, such that resources will be better deployed in working up options for members. In addition, the Medium Term Financial Plan will be improved, with the integration of performance, service delivery and finance.

9. Risk Analysis

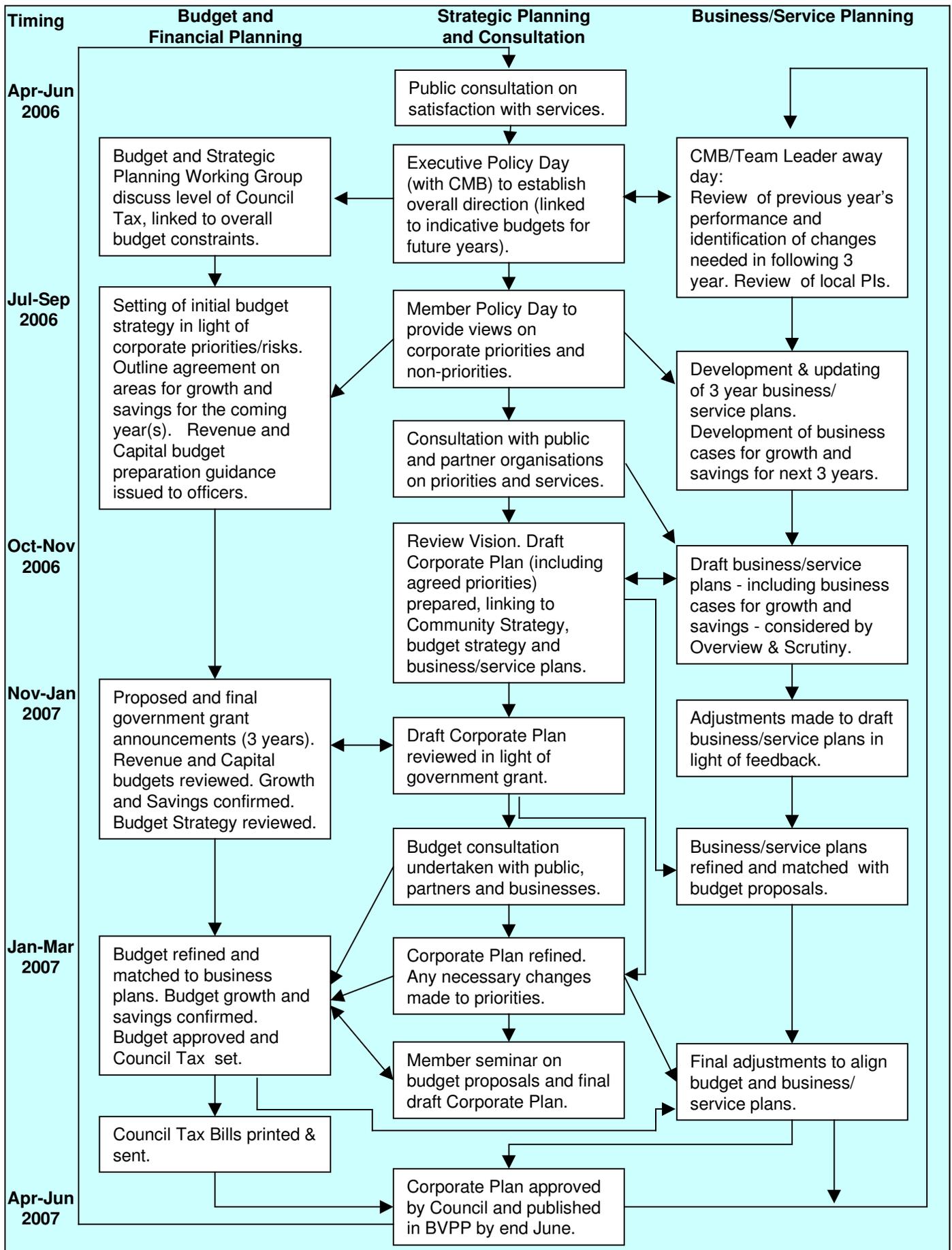
- 9.1. Improving the Policy and Budget Framework will enhance the Council's medium term planning, better integrate financial and service planning and lead to a stronger Corporate Plan and Budget for the Council in future years. Improvements should assist the Council to:
- Achieve its efficiency saving targets and set an affordable budget that is in line with its corporate priorities
 - Achieve an effective corporate plan that is in line with the Community Strategy, the Local Area Agreement and the needs of local people
 - Reduce confusion, overlap, duplication and effort in the Policy and Budget Framework.

Appendices:	<ul style="list-style-type: none">• Appendix 1: Policy & Budget Framework as agreed by Council in April 2006• Appendix 2: Review of this Year's Budget and Corporate Plan Consultation Process:• Appendix 3: Service Planning Parameters• Appendix 4: Medium Term Planning Matrix: Service Planning Parameters/Direction of Travel 2008/11• Appendix 5: Broad Timetable for 2007/08
Background Documents Used in the Preparation of this Report:	None.

Previous Decisions Connected with this Report

Report	Committee & Date	Minute Reference
Policy and Budget Framework	Council, 25 April 2006	C108
Budget Consultation Feedback	Council, 30 January 2007	-

Appendix 1. Policy & Budget Framework as agreed by Council in April 2006



Appendix 2: Review of this Year's Budget and Corporate Plan Consultation Process

Key stages in the planning cycle for 2007/08 were agreed (by Council on 25 April 2006) as set out in the table below. The right hand column provides some notes on what was actually carried out.:

Date	Meeting	Purpose	Achieved?
27 June 2006	Council	Approval of BVPP (including Corporate Plan 2006/07)	Yes
13 July or 31 August	Executive	Budget Strategy report	No
16 November 2006	Executive	Initial proposals for 2007/08 budget, linked to Corporate Plan priorities. Includes review of risks and reserves/balances.	In part. Main budget proposals went to Exec on 14 December 2006
29 November 2006	Malmesbury Area Committee	Option to use for Budget consultation	Yes
4 December 2006	Chippenham Area Committee	Option to use for Budget consultation	Yes
12 December 2006	Calne Area Committee	Option to use for Budget consultation	Yes
20 December 2006	Cricklade & Wootton Bassett Area Committee	Option to use for Budget consultation	Revised date to 6 December 2006
16 January 2006	Corsham Area Committee	Option to use for Budget consultation	Revised date to 28 November 2006
25 January 2007	Overview & Scrutiny	Review budget consultation process and suggest improvements for the next year	No – To be addressed at meeting on 7 February 2007
30 January 2007	Council	Receives feedback from budget consultation	Yes
1 February 2007	Executive	Budget proposals for 2007/08 (including Council Tax level), linked to Corporate Plan priorities and prudential indicators and including s.151 Officer's views on robustness of estimates.	Yes
13 February 2007	Council	Approval of Budget and Corporate Plan priorities for 2007/08	Revised to 22 February 2007 in final calendar

In addition to the public meetings, the following took place:

- Budget and Strategic Planning Group meetings
- Away-days for CMB/Team Leaders (on 30 June 2006)
- Policy Days for members – held on 7 September 2006 and 11 January 2007.
- Overview & Scrutiny Task Group on Performance Management
- Peoples Voice Panel surveyed in September 2006 for their views on the importance of the Council's 25 Pledges (phase 1 of budget consultation)
- Wessex Chamber of Commerce were asked for budget views.

Budget Consultation Feedback for 2007/08 Budget

In preparation for making decisions on the budget for 2007/08 and beyond, the Council ran two phases of budget consultation with the public.

In Phase One the **People's Voice panel** were surveyed by a postal questionnaire in September 2006 for their opinions on how important the Council's 25 pledges were to them.

The Pledges viewed as most important (with 80% or more people stating they were important) were:

Pledge	% who rated this important
Improving recycling	96%
Cleaning up grot spots	96%
High customer standards	95%
Removing abandoned vehicles	92%
Adapting homes for the disabled	91%
Bringing empty homes back into use	90%
Recycling green waste	89%
Improving access to services	88%
Making decisions based on feedback	88%
Improving home energy efficiency	84%
Creating a one-stop-shop	83%
Helping local projects	80%
Promoting local produce	80%

In Phase Two a budget exercise was carried out at the Area Committees and on the Council's website. People were asked to identify areas where they thought the Council should be increasing income or making savings (aiming to raise a minimum of £500,000). 72 people participated at the Area Committee meetings and 100 people completed the website survey. A summary of the results is set out below:

Area Committees:	% of people who agreed
Make savings on:	
• North Wiltshire Festival:	81%
Increase income on:	
• Car Parking Charges	74%
• Car Park season tickets	64%
• Second wheeled bins (make an annual charge)	71%
• (charge for) New and lost wheeled Bins	60%
• Increase Council Tax by 5%	60%

Website:	% of people who agreed
Make savings on:	
• North Wiltshire Festival:	67%
• Close Information Points (at Town Council Offices)	49%
Increase income on:	
• Car Parking Charges	76%
• Second wheeled bins (make an annual charge)	60%
• Car Park season tickets	54%

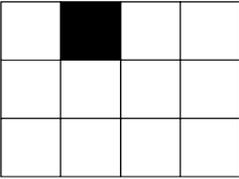
A full report on the feedback was presented to the Council meeting on 30 January 2007.

Appendix 3: Service Planning Parameters

Component	Description
Scope/Level of Service	<p>Depending on the service's corporate focus, this indicates whether the service plan/options for change need to focus on:</p> <ul style="list-style-type: none"> • improving the scope of the service (e.g. eligibility, targeting more people) and/or the level of service (e.g. quality) if resources allow; • maintaining the scope and/or level of service; • reducing the scope and/or level of service, including to a statutory minimum; or • stopping the service if possible. <p><i>This is an important part of the process whereby members can consider the rationale for changing the range or levels of service – rather than just assuming we carry on doing what we currently do.</i></p>
Performance	<p>Depending on current performance/contribution, this indicates whether the service plan/options need to focus on:</p> <ul style="list-style-type: none"> • a step change in improving performance; or • continuous/incremental improvement in performance. <p><i>It is worth noting that performance may be against an improved or reduced range or level of service. It is also important that in setting targets etc., that current performance and past track record against targets is taken into account to ensure targets are realistic as well as challenging.</i></p>
Financial Resources	<p>Depending on the Council's financial prospects, this indicates whether:</p> <ul style="list-style-type: none"> • growth above inflation would be considered (or reductions avoided/minimised depending on financial constraints); or • no growth would be considered for the service as it needs to address performance and/ or cost issues first. <p><i>It is recognised that some services may need investment to maintain or improve performance or reduce costs. There is an expectation that all services will seek efficiency gains of 3% (in line with the Comprehensive Spending Review 2007 efficiency targets of 3% cashable savings a year from 2008/09) but that higher cost services will need to improve efficiency by more than this if their cost/performance analysis indicates they are above average cost for their level of performance.</i></p> <p><i>In other instances, high cost may be justified by a demonstrable higher level of service.</i></p> <p><i>For all these reasons this component of the service planning parameters need to be interpreted carefully and reasonably but will provide a useful guide to efficiency planning.</i></p>

Component	Description
Pace of change	<p>Depending on the corporate focus, cost and performance of the service, the pace of change (improving performance, reducing levels of service and/or reducing costs) expected for the service will vary from:</p> <ul style="list-style-type: none"> • short term – change is expected within 12 months; • medium term – change is expected over 1 to 3 years and this should be reflected in the service plan; or • longer term - change is expected over a period greater than 3 years and this should be reflected in your service plan.
Management and Political Focus	<p>Indicates the focus that members and management need to give to the service and any change in the service. For example:</p> <ul style="list-style-type: none"> • where major change is required in a high corporate focus service, considerable management and political focus will be needed to implement and monitor the change; • where a high corporate focus service is performing well considerable management and political focus will be needed to maintain and monitor performance; or • for services with lower corporate focus that are performing well at low cost, management and political focus will be minimal.

An example of some service planning parameters for a service with a high corporate focus, high cost and medium performance is shown in the following table.

	<p>Place in the Medium Term Planning matrix: High Corporate Focus; High Cost-Medium Performance</p>
<p>Service Planning Parameters</p> <p>Scope/Level of Service: Same/Improved</p> <p>Performance: Major Improvement in 1 year if low. Improvement to high in 1-3 years</p> <p>Financial Resources: Reduce costs to < average/low OR by 6%-9%. Examine if low performance is due to low costs. Consider reinvesting savings.</p> <p>Pace of change: Short (1 year) if performance low or costs high. Otherwise Medium Term (1-3 years)</p> <p>Management/Political Focus: Major Options Appraisal may be needed to reduce costs/improve service</p>	

Appendix 4: Medium Term Planning Matrix: Service Planning Parameters/Direction of Travel 2008/11

Corporate Focus	High	<p>Scope/Level of Service: Same/Improved Performance: Major Improvement > average Financial Resources :None. Reduce costs to <average/low OR by Min 9% -12%. Consider reinvesting savings. Pace of change: Short (1 Year) Management/Political Focus: High - Major change required.</p>	<p>Scope/Level of Service: Same/Improved Performance: Major Improvement in 1 year if low - to high in 1-3 years Financial Resources:Reduce costs to <average/low OR by 6%-9%. Consider reinvesting savings. Pace of change: Short (1 year) if perf. low/costs high. Management/Political Focus: High - ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Same/Improved Performance: Improvement to high in 1-3 years Financial Resources: None. Reduce costs to <average/low or min. 3%-6%. Consider reinvesting savings. Pace of change: Medium Term (1-3 years) Management/Political Focus: High - ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Same/Improved. Performance: Maintain low cost/high performance. Financial Resources: 3% efficiency savings. Growth or reinvestment if resources allow. Avoid reductions if possible. May need investment e.g. demography or to maintain cost/performance. Pace of change: Medium/Long Term Management/Political Focus: High - Ensuring performance is met.</p>
	Medium	<p>Scope/Level of Service: Consider moderate reductions/Same. Performance: Major Improvement > average Financial Resources :None. Reduce costs to <average/low OR by Min 9% -12% Pace of change: Short (1 year) Management/Political Focus: High - Major change required.</p>	<p>Scope/Level of Service: Consider moderate reductions/Same. Performance: Major Improvement in 1 year if low. Improvement to high in 1-3 years Financial Resources :None. Reduce costs to <average/low OR by min. 6%-9%. Pace of change: Short (1 year) if performance low or costs high. Medium Term (1-3 years) Management/Political Focus:High - ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Consider moderate reductions/Same. Performance: Improvement to high in 1-3 years Financial Resources :None. Reduce costs to <average/low or min. 3% - 6%. Consider reinvesting savings. Pace of change: Medium Term (1-3 years) Management/Political Focus: Moderate - ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Consider moderate reductions/Same. Performance: Maintain low cost/high performance Financial Resources : 3% efficiency savings. May need investment e.g. demography or maintaining cost/performance. Pace of change: Medium/Long Term Management/Political Focus: Moderate- ensuring performance is met.</p>
	Low	<p>Scope/Level of Service: Statutory Minimum/Disinvest Performance: Major Improvement to <average or disinvest Financial Resources : None. Reduce costs to lowest OR by min. 9% -12% or disinvest Pace of change: Short (1 year) Management/Political Focus: High - Major change required.</p>	<p>Scope/Level of Service: Statutory Minimum/Disinvest Performance: Major Improvement in 1 year if performance low or disinvest Financial Resources :None. Reduce costs to <average/low OR by min. 9%-12% Pace of change: Short (1 Year) Management/Political Focus: Moderate – level of service, ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Statutory Minimum/Disinvest Performance: Improvement to high in 1-3 years for statutory minimum or divest Financial Resources :None. Reduce costs to <average/low for OR by min. 6% -9% Pace of change: Short (1 year) Management/Political Focus: Moderate – level of service, ensuring cost/ performance improvements made.</p>	<p>Scope/Level of Service: Statutory Minimum/Disinvest Performance: Maintain low cost/high performance Financial Resources : 3% efficiency savings. May need investment e.g. demography or to maintain cost/performance. Pace of change: Short if divesting/reducing to statutory minimum. Otherwise Medium/Long Term Management/Political Focus: Minimal – level of service.</p>
	High/Low	High/Med, Med/Low, High/High, Low/Low	Med/Med, Med/High, Low/Med	Low/High	
	Cost/Performance				