

## **Process for developing the Council's priorities, Corporate Plan and budget for 2006-09**

### **RECOMMENDATIONS**

- 1.1 To agree the processes for the development of the Council's priorities and the Corporate Plan and budget to deliver these.
- 1.2 To endorse the role of Members, both of Council Cabinet and the Overview and Scrutiny Commissions in providing leadership to these processes.
- 1.3 To endorse the range of factors driving performance improvement, and links with the Community Strategy and Local Area Agreement which need to be reflected in our priorities and plans.
- 1.4 To refer this report to the Scrutiny Management Commission for information and comment.

### **REASON FOR RECOMMENDATIONS**

- 2.1 This paper discuss the rationale for establishing clearer priorities early in the budget cycle, for better reflecting and costing corporate planning priorities early in the budget process, and ensuring that corporate planning priorities are subject to further review when the overall affordability of consequent budget projections is known. In this way, priorities can inform and determine resource allocation but can still be revised according to the overall resource position of the Council.
- 2.2 Although not part of the Policy and Budget framework as such, this report outlines the integrated processes which will shape both our Corporate Plan and Budget planning for 2006/7 to 2008/9. As such, it should be referred to the Scrutiny Management Commission for information and comment to enable wider Member engagement with these processes.

### **SUPPORTING INFORMATION**

#### **Current corporate planning priorities 2005/6 to 2007/8**

- 3.1 As members will be aware the current Corporate Plan covers the three year period from 2005/6. Five priorities were approved for 2005/6, in addition to our on-going commitment to provide value for money services and to minimise increases in council tax. In addition, further priorities were identified for the following two years so that the Council can prepare to deliver these at

an early stage. These are called 'planning' priorities and as a reminder, these are shown in Table 1 below. Each of these priorities will have costs attached to them of course and therefore the starting point for the process will be to re-confirm or revise these priorities and check they align to the ongoing national and local priorities emerging.

**Table 1 – Summary of current and 'planning' priorities**

<b>2005/6 Priorities</b>	
<b>Priority 1:</b>	No schools in 'causing concern' category
<b>Priority 2:</b>	More sustainable Derby through recycling more
<b>Priority 3:</b>	Raising educational achievement
<b>Priority 4:</b>	Modernising social care
<b>Priority 5:</b>	Improving customer service, in the city centre and locally
<b>Priority 6:</b>	Minimise increases in Council Tax and increase value for money services
<b>Planning priorities</b>	
<b>Priority 1:</b>	Working in partnership to reduce crime and the fear of crime
<b>Priority 2:</b>	Integrating and improving children's services
<b>Priority 3:</b>	Better procurement to deliver VFM
<b>Priority 4:</b>	Working in partnership to achieve socially cohesive communities
<b>Priority 5:</b>	Improving business processes and the use of ICT
<b>Priority 6:</b>	Cleaner streets and public facilities
<b>Priority 7:</b>	Improving the Council's built assets for service delivery
<b>Priority 8:</b>	Provide and improve transport network

## **Current budget plans 2006/7 and 2007/8**

- 3.2 As part of the 2005/6 budget process, more realistic budgets for the following two years were provided. These indicated a projected increase in the revenue budget of 5% in both 2006/7 and 2007/8. It was also identified that savings of £3 million were needed by 2007/8 if 5% council tax increases are to be delivered. In addition, the capital programme is essentially committed to 2007/8 delivering the key schemes for Connecting Derby and the Council office accommodation reshaping, together with a series of other projects. In reassessing priorities it is therefore crucial that there is an understanding that simply to maintain current service levels will be a challenge without major efficiency drives or decisions to change existing service levels in non priority areas. In addition, if any major new proposals for developing services were to come forward, then other planned developments already in the indicative forward budgets could not go ahead. Translating such perceptions into effective decision making is difficult, in that there is a constant danger of setting aspirational priorities whilst losing sight of the wider funding picture and constraints.

## **The planning process for 2006/7 onwards**

- 3.3 The diagram at Appendix 2 illustrates the main drivers which should influence our strategic planning. Our existing processes for developing priorities reflect these, but some could receive greater emphasis. The work to revise the Community Strategy – Derby's 2020 Vision – and to update our Local Area Agreement, LAA – through Derby City Partnership – DCP this summer and autumn for 2006-09 gives us the opportunity to integrate these much more closely with our corporate and budget planning processes. A key question is the period our plans should cover. We should retain the three year planning horizon, as this is the period typically used by central government, such as the Comprehensive Spending Review, and is the longest period over which we can estimate revenue budgets with any confidence. However, a longer time span may be needed to deliver major change and significant capital schemes and we do need a longer term vision, while accepting the best way to deliver this may change over time. The revised Community Strategy should provide such a vision for the Corporate Plan to support.
- 3.4 In addition to the Community Plan and LAA, there are several other drivers which should influence Council strategy. The key drivers are briefly discussed below, along with how they may best be addressed.

## **Government policy**

- 3.5 This is one of the strongest influences upon us, notwithstanding efforts to promote a more equal partnership between the centre and local areas. The recent range of discussion papers from ODPM setting out a 10 Year Vision for local government – Local:Vision – gives an indication of the shape of things to come, with an emphasis on local leadership, neighbourhood engagement and sustainable communities. These run alongside the continuing importance of better public services and improved outcomes for

children and young people through integrated service provision, and more independent living for older people.

- 3.6 We already take account of these in a number of ways and Government puts certain requirements on councils to help achieve its goals. Negotiations on the 2<sup>nd</sup> generation LPSA seek to balance central and local priorities; inspection regimes such as the CPA are steered by central policy and the Annual Efficiency Statement – AES – gives effect to the Gershon agenda. These requirements are an established input to our prioritisation and planning processes.

### **Performance improvement**

- 3.7 We review performance against our locally and nationally determined targets to see what we need to do to achieve our priorities and objectives, as part of our on-going performance management frameworks. The importance of service performance to our CPA category reinforces this. We will review our 2004-05 performance and the new requirements of CPA 2005 to see what our improvement priorities should be. Building on Excellence and the associated change activities are in large part about improving our infrastructure and capacity to deliver service and performance improvement.

### **Public priorities**

- 3.8 We have a number of mechanisms for seeking the views of the public on what they want from the Council, including through elected Members. We consult users or potential users on developments to particular services, through our city-wide Consultation Strategy try to engage with 'hard to reach groups' and have an established citizen's panel – the 'Derby Pointer'. Public consultation will inform the new Community Strategy.
- 3.9 As part of our planning processes last year, we engaged consultants to research public priorities in terms of choices between different services and the implications for Council Tax levels. The evidence is that the relative priority given to different services is quite stable over time, so we do not propose to repeat the research this year, unless Members want views on a very different set of priorities. For example, if these were to include neighbourhood service delivery this would require further consultation.

### **The role of officers and elected Members**

- 3.10 The role of Chief Officers in advising Members is well established in our planning processes, though we have perhaps been less successful in engaging with a wider range of staff. Officers can provide a 'professional' input, often informed by national policy drivers, and an assessment of what can be achieved in practice. There is also, potentially, a role for officer groups to challenge service spending proposals and better expose options for members prior to decisions – perhaps linking to the development of processes around the Gershon efficiency agenda. Departmental management teams discuss potential priorities, and subsequently develop targets and actions to deliver these. We have previously engaged officers in considering proposed priorities at employee conferences. However, Council priorities are

fundamentally for Members to determine, but if these are both communicated to and owned by officers then delivery will be more effective.

- 3.11 Members have a key role in terms of prioritisation and planning – both in terms of accountability to a political programme and in providing leadership to the organisation and wider community. Members have approved our priorities and plans to deliver these, but may not feel that there has been sufficient opportunity to shape these given the other drivers outlined above, in particular the national agendas. Member involvement in reviewing our priorities earlier in the planning cycle may assist this.

### **Lessons from the budget process**

- 3.12 In previous years, revenue budget and corporate planning have operated in parallel cycles to similar timetables, both leading to plans finally approved in March. Although every effort has been made to ensure a degree of consistency between the two processes, this has been limited by the difficulty of making changes to the budget plans at a late stage. If we continue this approach, the danger is that difficult decisions on prioritisation will be too driven by the context of budget planning only and also that other proposals in the draft Corporate Plan may have to be deleted at a late stage in the absence of being costed and prioritised at an earlier stage.
- 3.13 In particular there is a tension between the aspiration to develop services further and the difficulty of continuing to fund even existing service standards. The latter is likely to be a major budget issue from 2006/07, as there are to date no signs that the LGA's warnings of a 'black hole' in the Government's plans for funding local government have been heeded. Corporate planning has tended to focus on new service developments, usually with resource implications, and there is a need for the process to better consider the competing priority of meeting financial pressures on existing services at the same planning stage, in so far as they will impact on the ability to meet strategic development priorities.
- 3.14 The revenue budget proposals from 2005/6 are in the case of some departments extremely detailed, and in so doing address service issues that should not feature within strategic corporate planning. Clearly such detail could not be reflected in the Corporate Plan, but the Plan does need to be better informed by major budget pressures. We need to better separate out the budget issues that will impact on the resources available to meet strategic development priorities, from those which are about reshaping resources within departments to meet changing cost pressures or relatively minor reallocations of priorities. This has implications for the way the Council approaches budgeting.
- 3.15 There is also a need to review our approach to planning the capital programme. In late 2003, the Council set out its priorities for investing in major flagship capital schemes from 2004/5 using corporate capital resources. In the absence of a major review for 2005/6, the main investment choices within this overall capital strategy now need to be reviewed for the 2006/07 budget process. This is necessary as the affordability of most capital investment is finite. This review needs to take place reasonably soon in 2005

to ensure that any spare resources are not allocated on a 'first come, first served' basis in the absence of updated priorities. Clearly these major choices need to be integrated into corporate planning.

## **A REVISED APPROACH TO PLANNING AND BUDGETING**

- 3.16 Subject to Cabinet's agreement, the integrated approach proposed has essentially three stages: firstly an initial review of priorities, secondly the development of budgets and plans around priorities and thirdly reappraisal of plans and priorities in the context of limited resources. For this to work, the planning process must start relatively early, with budgetary and corporate planning being essentially being one process up to the final stages.
- 3.17 The timetable at Appendix 3 provides a framework in which this revised approach to prioritisation and planning could be deployed.
- 3.18 The format of our Corporate Plan may need to be revised to reflect the outcome of this reshaped planning process and to integrate more effectively with the budget, as well as the Community Strategy and LAA. Given the likely financial constraints on the Council in the next two years and the already well developed plans for 2006/7 and 2007/8, it is unlikely that many new priorities will emerge. It may be that the initial phase largely confirms or modifies existing corporate planning priorities.

### **Initial review of priorities**

- 3.19 This report suggests that the role of Members and employees in developing our priorities could be further developed, but that our existing arrangements for taking account of external drivers and community views are quite strong. Beginning the process of reviewing our priorities and plans earlier should help us to do this, giving greater opportunity for consultation with Members and employees. This also means that we can agree our priorities before the detail of the budget process so that resources follow priorities.
- 3.20 We have typically begun the process of reviewing our priorities with an informal workshop involving members of Council Cabinet and Chief Officers. These have been useful, but a more extended dialogue between portfolio holders and the relevant Chief Officers could be beneficial. In parallel to this, Departmental management teams will consider key improvement issues for their service areas, consulting more widely with managers and other employees. This in turn would need to be prioritised by Chief Officers before consideration by Council Cabinet.
- 3.21 Priorities will still need to be adopted by Council on the recommendation of Council Cabinet, after appropriate scrutiny, in accordance with the Council's constitution and Policy and Budget framework. These will then form a firm, early basis for discussion on the budget itself. The intention would be that the ensuing budget proposals would be on the basis of how well they deliver these priorities, but there could not be an absolute commitment to priorities prior to the later reappraisal stage.

- 3.22 To inform this review, there would have to be an initial view formed of how the affordability of delivering these priorities, both in capital and revenue terms, but it would be difficult to develop these costings until the second development phase below.

### **Development of plans and budgets**

- 3.23 The purpose of this stage would be to identify major new service planning issues, check consistency with the initial set of priorities and establish their initial cost implications prior to further review. Both the Corporate Plan and the budget would be developed in parallel at this stage. The main elements are as follows . . .

- Any major cost pressures of sufficient salience that they may require recognition in the Corporate Plan should be considered for inclusion in the Plan at this initial stage, supported by departmental submissions. Other desirable service developments will also be considered for inclusion in the Plan. These will include developments arising from the initial prioritisation stage, but can go beyond this informed by further input from departments and others. The potential content of the Corporate Plan before further prioritisation necessitated by budgetary limitations will take shape at this early stage.
- The approach of taking a service by service review of inflationary pressures, adopted in 2005/6, will be repeated, and built into initial cost implications.
- A programme of service base budget reviews would be concluded and a programme and timetable of corporate service improvement/efficiency reviews would commence, where these are needed beyond those already included in the 2006/6 Review Programme. The principle of how much of the savings from either type of review could be retained by departments for reinvestment will be determined. Target savings will be set for the corporate improvement/efficiency reviews to provide clarity for departments and for corporate planning.
- At the conclusion of this stage, when combined with a corporate resources forecast, the scale of the budgetary difficulties facing Derby from 2006/07 would be reasonably clear.
- A parallel process will take place for the capital programme.

### **Reappraisal of plans and priorities**

- 3.24 The final stage of the process will go on to address the implications of these resource limitations:
- There will clearly need to be a reappraisal of the initial draft of the Corporate Plan and the emerging budget, involving scrutiny both of the development proposals and the other cost pressures associated with existing service provision. This will not be dissimilar to the process by

which Cabinet scrutinises detailed proposals in December, but it is intended that the process will take place earlier and be more focused on a narrower set of issues due to the reduction in detail.

- Members would also have the option of either reshaping priorities to better address service issues, or of reshaping the plan to ensure greater consistency with the initial priorities. The key point is the existence of a process to ensure that final plans are consistent with priorities, as well as being consistent with resource limitations.

## **Finalising budgets**

3.25 There are also aspects of the budget process that will continue in parallel with these wider planning aspects:

- The process of drawing up budgets in more detail will continue separately. Departments will work up more detailed budget proposals outside of the main corporate planning process. Departments would have to contain existing budgets within cash limits, by reallocating resources and reprioritising as necessary, on the strict understanding no further allocations of additional corporate funding would be forthcoming. Cabinet will still need to agree to any significant reallocation of budgets within departments but this part of the process should involve relatively minor choices.
- The programme of service improvement/efficiency savings will need to be delivered, if firm reliance is placed on these in setting the final budget. The Gershon Coordinating Group would provide a focus for ensuring that reviews are progressed and deliver cash savings, and could challenge progress as necessary at officer level.

3.26 A key difference at this final budget stage is that any additional allocation of corporate resources will have had to take place within the earlier stages corporate planning process, rather than at the end as gaps emerge. There will therefore be a greater onus than previously on Chief Officers to deliver budgets to within the cash limits finalised within the corporate planning process.

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<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 - Key drivers for prioritisation and integration with the budget process Appendix 3 – Draft planning timetable



<b>IMPLICATIONS</b>
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**Financial**

1. As set out in the report

**Legal**

2. None directly arising from this report

**Personnel**

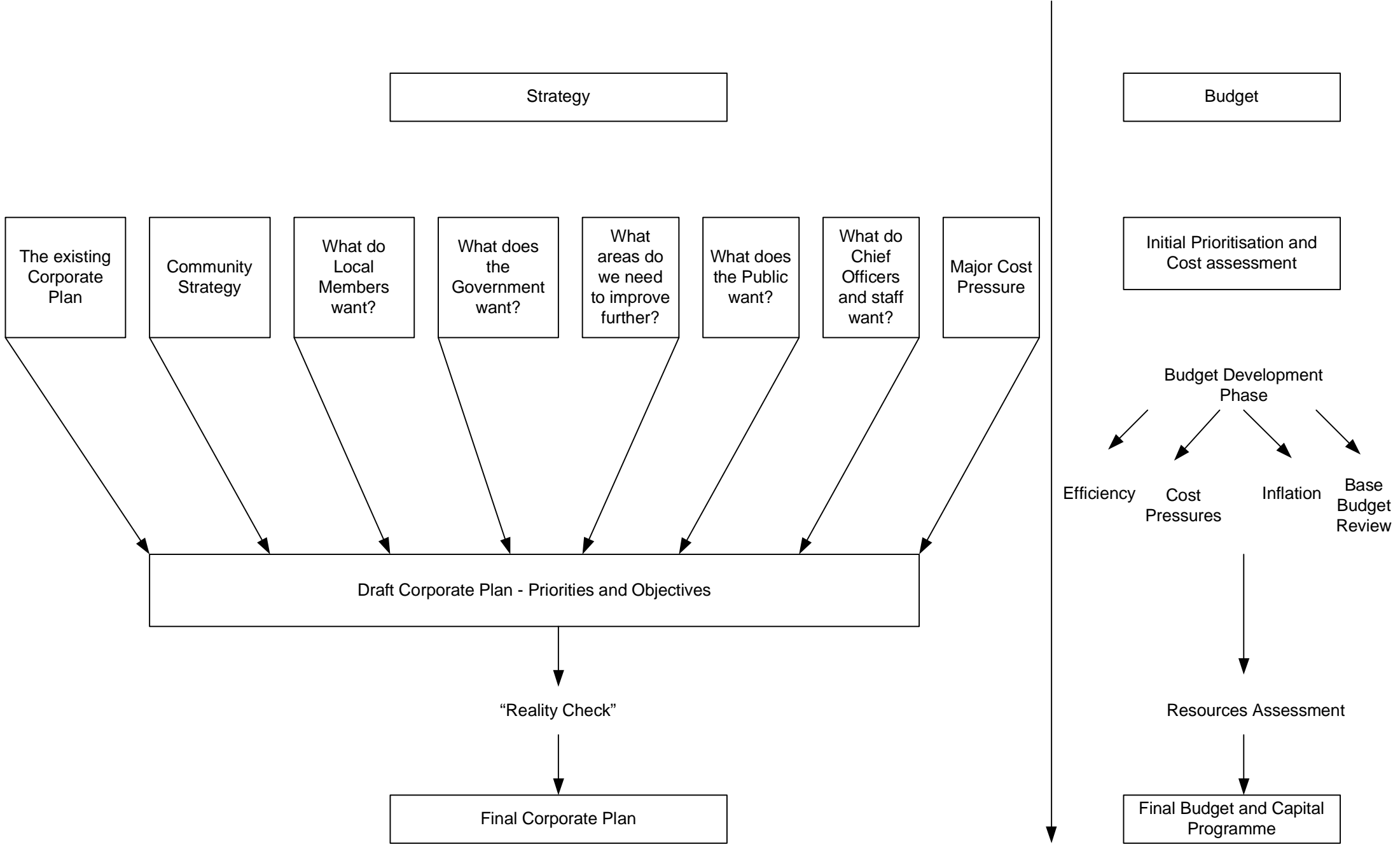
3. None directly arising from this report.

**Equalities impact**

4. None directly arising from this report.

**Corporate objectives and priorities for change**

5. This report describes the process to review and update our priorities and objectives for 2006-09.



**UPDATED TIMETABLE FOR PRIORITISATION AND BUDGET PLANNING***To be further developed to include more details of budget planning*

<b>Date</b>	<b>Activity</b>
June - July 2005	Public consultation on draft Community Strategy
12 July 2005	Council Cabinet agrees approach to prioritisation and budget / corporate planning and draft framework for the Community Strategy
July – early September	Council Cabinet and Chief Officers consider revised priorities informally
July – early September	Departmental management teams consult on improvement priorities for their services
September	Service assessment framework for CPA confirmed – may influence service priorities
September 2005 and on-going	Community Strategy, Corporate Plan and budget 2006-09 in further development
20 - 22 September	Building on Excellence week events – opportunity to brief managers on approach to prioritisation
27 September 2005	Cabinet approves draft priorities for 2006-09 and refers for scrutiny
1 November 2005	Scrutiny Management Commission considers draft priorities
October 2005 and on-going	Following 6 month performance review annual update of LAA begins
8 November or 29 November	Council Cabinet confirms priorities as the basis for budget and corporate planning and following 'reality check'
January 2006	Consultation on budget plans to deliver agreed priorities
21 February 2006	Council Cabinet considers final draft Corporate Plan and budget 2006-09
1 March 2006	Council adopts Corporate Plan and budget
March 2006	Revised Community Strategy and LAA agreed through DCP structures and recommended by Council Cabinet for adoption by Council.