



HARBOROUGH DISTRICT COUNCIL

Paper on Medium Term Business Planning

1. Background

- 1.1 Following the review of the business planning process for 2011/12 by Portfolio Holders on 13th June 2011, this paper sets out the framework and the process for the 2012/13 financial year and the medium term (3 years).
- 1.2 Portfolio Holders agreed that the process and methodology used for the 2011/12 budget planning should be used to develop and construct the business plan of the Council for 2012/13 and the medium term.
- 1.3 The process of identifying the services/activities needs to be refined to ensure that processes do not become identified as activities.
- 1.4 Appropriate and necessary consultations and involvement of the community, businesses, members of the council and staff representatives will be programmed into the timetable to inform the Executive in drawing up the business plan.

2 The Context

- 2.1 The Council will see an over 30% reduction in its Revenue Support Grant (RSG) over the two years 2011/12 and 2012/13. The reduction for 2012/13 is £619,719 (14.8%) on the 2011/12 RSG.
- 2.2 The MTFS sets out the forecast resource gaps for a number of scenarios. In all of the scenarios within the MTFS the estimated available resource envelope falls short of the estimated budget requirement before any support from reserves.
- 2.3 This coupled with the administrations aspiration for a nil increase in council tax in 2012/13 means that the resource gap is significant bearing in mind the reduction in the overall size if the 2011/12 budget requirement compared to 2010/11. Therefore, each year further reductions in expenditure become more difficult to find and achieve. There is a level below which a service or a function or the organisation as a whole becomes unviable in terms of being able to do what it is there for.
- 2.4 As part of the national budget deficit reduction plan the government front loaded the savings to be made by local government in the first two years (2011/12 and 2012/13) of the 2010 Spending Review period. The Council's response in terms of its approach to managing the resource gap was to mirror the front loading of the savings in 2011/12.

In order to do this it used a new strategic choice based methodology that is objective and transparent in the way decisions were reached in 2011/12.

- 2.5 The administration through the Leader of the Council wishes to use the same methodology for the 2012/13 budget plan and the construction of the medium term plan. However, the model will be used as a last stage in the process after all the other avenues to identify savings, identification of reductions in expenditure through efficient and lean reviews, increases in income and use of reserves have been taken account of.
- 2.6 With the emerging detail on operation and practical application of Localism and the Big Society agendas, whilst the sovereignty of budgets and decisions on expenditure and income will be the Council's it is clear that community, business and partners views will be a requirement through formal consultative processes to inform and guide the Council's decisions. To that end, the Council will have to undertake appropriate and proportionate consultations for which the methods, style and form of the engagement will need to be agreed and developed to give the required outcomes to which due regard will then be able to be given in the decision making process in which demonstrates an objective and transparent approach.

3 **The Process**

Please read this section in conjunction with the Business Planning Cycle and Sequence of Processes diagram attached at the end.

- 3.1 In order to focus on drawing up a 2012/13 balanced budget plan and a medium term plan it will be important to agree some parameters at the beginning of the process. These are as follows:

STAGE 1

Policy Context: Leader and Portfolio Holders

- Policy direction – cutting cost or being more efficient. This is important because the approach is quite different dependent on the answer as is the financial outcomes.
- Criteria for the social values
- A succinct articulation of the Administration's priorities to which the criteria can be related and social values attached.
- Agree policy on the use of reserves to support budget for 2012/13 and medium term
- Agree policy on one-off release from earmarked reserves
- Form, extent and method of consultation(s)

STAGE 2

Process 1: Statutory/Non statutory functions

- Review the list of statutory and non statutory services identified for the 2011/12 budget.

Process 2: Expenditure

- Review and reduce current expenditure budget lines on the basis of past spend levels without impacting on the level or quality of service concerned – remove any slack in the budget that may exist.
- Review current expenditure budget lines from the point of view of lean systems/working to identify savings without impacting on the level or quality of service.
- Identify any savings from any staffing or staff related costs and other contractual changes and timing of the savings.
- Identify any new recurring and non-recurring expenditure requirements – ‘growth’ that is time limited or ongoing.

Process 3: Income

- Using the 2011/12 process identify the income generating services on the basis of:
 - Services for which the fees are set and non controllable or that have to be set on a break-even basis i.e. not make a surplus.
 - Services for which the level of fees and charges is entirely within the control of the Council
- Identify areas for additional income generation:
 - from services already being charged
 - services not currently charged for but could introduce a charge

An underlying theme in both Processes 2 and 3 will be the Transformation agenda including implementation of completed ‘lean’ projects and a future programme of lean and business transformation projects to contribute to the continuous drive for efficient models of and improved working practices in the delivery of services.

Process 4: Budget Estimates

- Construct detailed budget estimates for 2012/13, 2013/14 and 2014/15 taking into account the outcomes from Stages 1 and 2 and any other emerging new legislation and the councils structure and form.

STAGE 3

Process 5: Overall Budget Plan for 2012/13 and Medium Term

- Summarise Stages 1, 2 and 3 and identify and determine the size of the resource gap
- Determine the use of reserves and /or release of any earmarked reserves (if any)
- Determine the final resource gap for 2012/13 (if any)
- Undertake the necessary consultations in accordance with statutory requirements as a minimum

Process 6: Strategic Choices Model

- Deploy the Strategic Choices Model to resolve the final resource gap.
- Consult with members and the community on the strategic choices for any trade-offs.

3.2 The above Process will be resource intensive impacting on the Heads of Services and the 3rd Tier Managers in the main with other staff required to contribute on specific areas and Finances Services staff. It is important that this resource requirement and commitment is not underestimated in terms of placing any additional demands/requirements on these staff.

3.3 An overarching plan and detailed timetable will be produced and monitored by the officer Business Planning Group chaired by the Deputy Chief Executive.

4 Conclusion

4.1 The financial environment that the Council is working in continues to be challenging with the second year of the grant cut of 14.8% on 2011/12 grant needing to be managed and the medium term being uncertain as the government is undertaking a review of local government funding and the outcomes will not be known until late in the year. Furthermore, the Council needs to determine the extent of the use of reserves in the context of the national call to use reserves rather than service cuts to manage its resource gap.

4.2 Portfolio Holders at their meeting on 13th June reflected on their experience of using the Strategic Choices Model to set the budget for 2011/12. It was agreed to use the model again with some refinements for the 2012/13 budget and the medium term.

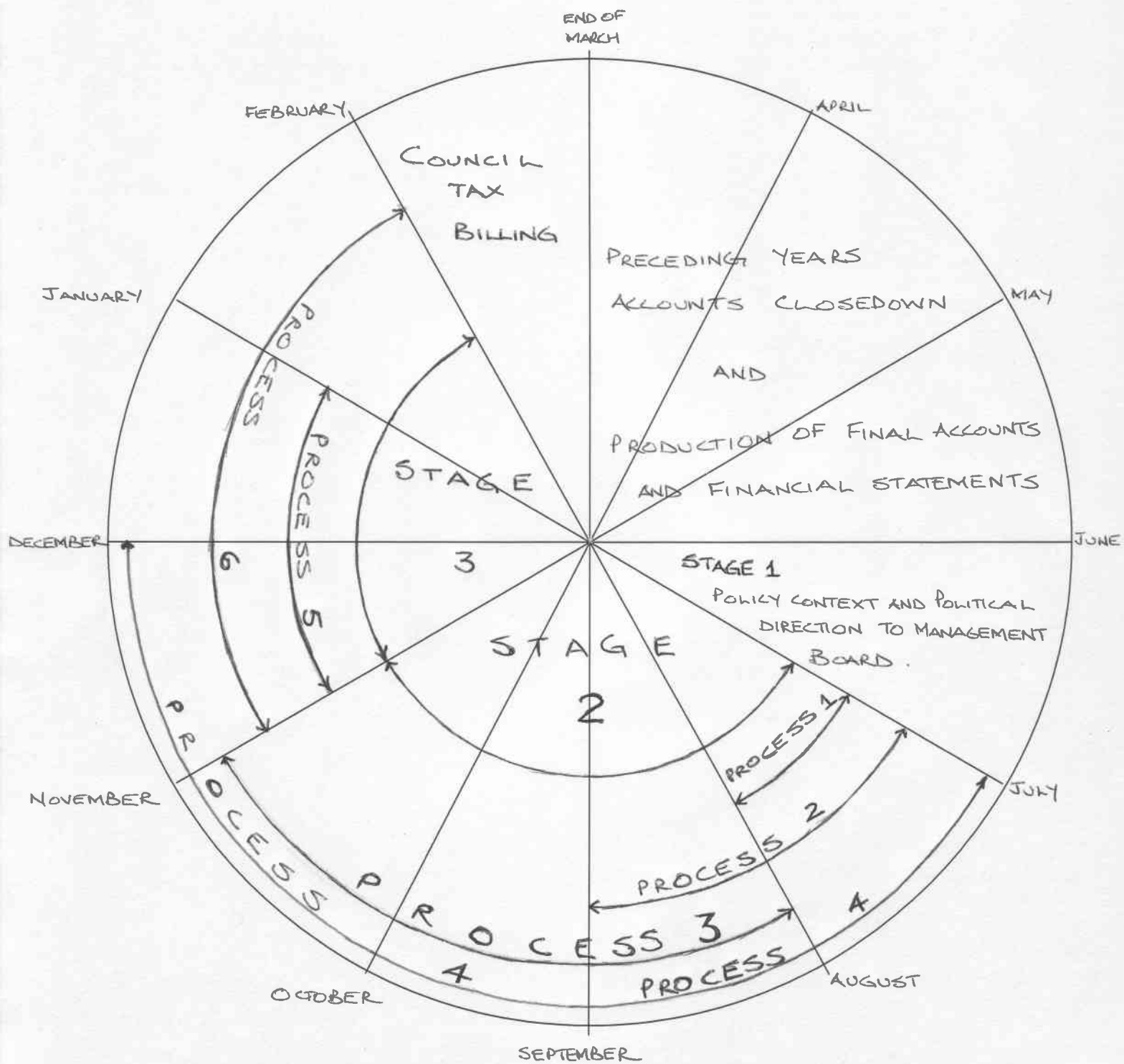
4.3 It is considered that the Strategic Choice Model is used at the end of the overall process of business planning.

The planning process will be staged whereby any savings through reductions in expenditure budgets and increases in income from existing fees and charges or new areas identified to raise income from are identified and taken into account first in terms of building the detailed budget for 2012/13 and summary budgets for the medium term. Any resulting resource gap (shortfall) against the forecast available resource envelope(s) will then be subject to a discussion in respect of use of any reserves. Once the use of reserves has been determined then the final resource gap(s) will be managed through the Strategic Choices Model to give transparency and objectivity to the decisions to arrive at a balanced budget and business plans.

- 4.4 Relevant and appropriate consultations will be required that meets the aspirations of the localism and the Big Society agendas to inform the decision making in respect of the strategic choices that the Council determines to finalise the Business Plan and the budget for 2012/13.

Kamal Mehta, Deputy Chief Executive
Chair of Business Planning Group
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BUSINESS PLANNING CYCLE AND SEQUENCE OF PROCESSES



DRAFT V.1:0
 30 JUNE 2011
 K. MEHTA