

AGENDA MANAGEMENT SHEET

Name of Committee Overview and Scrutiny Board

Date of Committee 14 September 2011

Report Title Refocusing our approach to Resourcing our Priorities

Summary A robust approach to planning our business should be at the heart of all we do ensuring that our effort and resources are targeted on our priorities. This paper establishes an approach to develop a Strategic Delivery Plan for the Organisation including Medium Term Financial Planning and the Budget.

For further information please contact:

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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers None

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Appleton, Cllr Tandy, Cllr Roodhouse.
- Cabinet Member As part of the consultation for the 14th July Cabinet report.
Cllr Heatley and Cllr Wright.
- Chief Executive
- Legal
- Finance
- Other Strategic Directors

District Councils

Health Authority

Police

Other Bodies/Individuals Ann Mawdsley, Senior Democratic Services Officer

FINAL DECISION NO

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by this Committee

To Council

To Cabinet

To an O & S Committee

To an Area Committee

Further Consultation

Overview and Scrutiny Board – 14 September 2011

Refocusing our approach to Resourcing our Priorities

Recommendation

The Overview and Scrutiny Board are recommended to:

- Note the revised approach to planning for the Organisation approved by Cabinet on the 14th July.
- Note work underway to reframe the Performance Management Framework.
- Comment on how the role of Overview and Scrutiny can best be utilised to support the outlined approach.

1. Background and Context

- 1.1 At the Chair and Spokes meeting of the Overview and Scrutiny Board on the 22nd June, Members requested a report to a future meeting updating them on work to align business and financial planning. Members also requested an update on developments to refresh the Organisations Performance Management Framework.
- 1.2 This is a timely request and this report presents the Overview and Scrutiny Board with a paper recently approved by Cabinet outlining the approach to integrating financial and business planning for 2012 and beyond. The report received by Cabinet on the 14th July is attached at Appendix A.
- 1.3 The Corporate Business Plan (CBP), Budget and Medium Term Financial Plan (MTFP) are intended to act as key tools in guiding the way the Council uses its resources to ensure we get value for money and maximise effectiveness in the way we deliver services targeted at delivering our priority outcomes. The 2011-13 Corporate Business Plan articulated the need, given the significant challenges we face, to be clear on priorities and the areas where we need to make changes so that we can deliver services within the resources available.
- 1.4 Historically, WCC's planning process has, like most public sector organisations, been driven by the budget process with the main debate being around the allocation of resources rather than being explicitly focused on what the organisation is seeking to achieve with its resource deployment. There has been a growing acknowledgement by Members and officers that this process needs to change, if in the future, we are to be able to effectively target our resources upon our priority areas and better understand the implications of changes to our services.
- 1.5 In response to this, at its meeting on the 14th July Cabinet agreed to adopt a new approach and process to taking forward the development of a Strategic Delivery Plan for the Organisation to bring together various elements including performance, risk, workforce, knowledge, communities and improvement.

- 1.6 Overview and Scrutiny played a role in developing and challenging the measures and targets contained within the 2011-13 Corporate Business Plan. The Overview and Scrutiny Board are requested to comment on the role of the Board and the individual Overview and Scrutiny Committees in relation to the process for developing the Strategic Delivery Plan as outlined in section 6 of Appendix A.

2. Reporting Progress

- 2.1 Over the last two years our approach to performance reporting has evolved significantly. At its June meeting, Cabinet received an integrated Finance and Performance Report for Year End 2010/11. This was recognised as a first step in joining up key information to support Members in decision making through providing timely and joined up information.
- 2.2 Work is now underway to develop this more integrated approach to performance reporting as part of our overall refresh of the Performance Management Framework. The Performance Member Reference Group¹ have been at the core of refreshing this approach. The Chair of the Overview and Scrutiny Board has been invited to be part of this group in recognition of the important role that Overview and Scrutiny need to play in supporting effective Performance Management.
- 2.3 A number of principles have been agreed by the group:
- Integrated reporting of key information to enable decision makers to have a clear picture of the interdependencies.
 - A “story” of performance providing a helicopter view of how the Council is progressing against its key ambitions.
 - Timely information to enable timely decisions.

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Portfolio Holder: Cllr Martin Heatley and Cllr David Wright

Shire Hall
Warwick
14th September 2011

¹ Membership: Cllr Heatley, Cllr Appleton, Cllr Roodhouse, Cllr Naylor, Cllr Hazelton.

Cabinet – 14 July 2011

Resourcing our Priorities – Developing a Strategic Delivery Plan for 2012/13 onwards

Recommendation

Cabinet are recommended to:

- Agree the proposed approach and process to taking forward the development of a Strategic Delivery Plan for the Organisation bringing together the various elements as set out in section 3

1. Background and Context

- 1.1 The Corporate Business Plan (CBP), Budget and Medium Term Financial Plan (MTFP) are intended to act as key tools in guiding the way the Council uses its resources to ensure we get value for money and maximise effectiveness in the way we deliver services targeted at delivering our priority outcomes.
- 1.2 The 2011-13 Corporate Business Plan articulated the need, given the significant challenges we face, to be clear on priorities and the areas where we need to make changes so that we can deliver services within the resources available. The approach suggested in this paper is the start of this process.
- 1.3 Historically, WCC's planning process has, like most public sector organisations, been driven by the budget process with the main debate being around the allocation of resources rather than being explicitly focused on what the organisation is seeking to achieve with its resource deployment. There has been a growing acknowledgement by Members and officers that this process needs to change, if in the future, we are to be able to effectively target our resources upon our priority areas and better understand the implications of changes to our services.
- 1.4 The 2011-13 CBP also articulated the course for the Organisation's Transformation Programme. We now need a planning and resource allocation process which supports the Transformation Programme including service redesign, workforce planning and the move to embed an organisation wide strategic commissioning approach to service delivery.
- 1.5 The recent restructuring of the organisation also provides an opportunity to review our traditional approach to develop an approach which supports the new organisational structure and associated roles and responsibilities and ensures that we have the right staff with the right skills and competences to deliver our services.

2. What is the purpose of the planning process?

2.1 A robust approach to planning our business should be at the heart of all that we do ensuring that our effort and resources are targeted on our priorities – ones that are based on thorough intelligence and robust customer information.

2.2 The following outcomes should be achieved by changing the way we approach our planning and associated resource allocation:

- Members and staff have clarity on the vision for Warwickshire County Council and understand how they can support these.
- The Organisation has delivered its vision as measured by progress against a suite of outcomes and supporting performance indicators.
- We have a flexible “one council” approach to the deployment and development of our people and we are effective at planning for the changing shape and role of the authority.
- The Organisation identifies and understands how its costs vary with activity (and what drives these costs) in order to make better strategic resourcing decisions, facilitate effective strategic commissioning and ensure the budget balances.
- The budget is a financial articulation of the Corporate Business Plan, reflecting priorities within the context of resources available.
- We have the right shared resources to support localised benefits.
- Members and senior officers feel supported through the business and financial planning process and all those involved are clear about their respective roles, responsibilities and accountabilities.

2.3 We already have in place established corporate arrangements upon which we can build a robust planning framework, a number of those foundation elements are outlined below. Whilst some may still require refinement, review or updating, especially given the challenging external landscape we face, we are generally well placed to move forward.

- A clear articulation of the Council’s aims, grouped around seven ambition themes which sets out what the authority hopes to achieve by 2013.
- A framework for Transformation and Development that sets out the ways in which the authority will change and develop the way in which it works over the next 3-5 years.
- A Medium Term Financial Plan outlining how the authority intends to use and raise the resources needed to deliver our services and priorities over the medium term, including a detailed three year savings plan.
- Information and intelligence about Warwickshire and its people including the Quality of Life Report. This provides the evidence base for the CBP, outlining how the quality of life in Warwickshire and its Districts compares with elsewhere and how quality of life in the County is changing over time.
- A Strategic Risk Register setting out those risks that could have an effect on the successful achievement of our long term strategic ambitions. These are

risks that could potentially have a council-wide impact and / or risks that cannot be managed solely at a lower level because higher level support or intervention is needed.

- Our work to get closer to communities.

3. How are we going to achieve this?

3.1 It is clear that resources will be scarce over the medium term and this strengthens the need to have a robust approach to prioritising and de-prioritising services. Our model for integrated planning, moving forwards, will act as a focal point highlighting our priorities and allocating resources accordingly. It will shape our approach to the Transformation Programme and service reviews.

3.2 The output from this process will be a Strategic Delivery Plan which brings together the following components:

Warwickshire County Council's Proposed Strategic Delivery Plan

<p>Performance and Risk</p> <ul style="list-style-type: none"> • The Corporate Business Plan and associated measures and targets • Business Unit Plans and associated measures and targets. 	<p>Resources</p> <ul style="list-style-type: none"> • The 2012 Budget • The 2012-15 MTFP • Corporate Asset Management Plan 	<p>People</p> <ul style="list-style-type: none"> • Framework for Transformation and Development • Workforce Plan • Corporate and Group Learning and Development Plans 	<p>Knowledge</p> <ul style="list-style-type: none"> • Relevant legislation and policies • Social, economic, environmental and demographic intelligence. 	<p>Communities</p> <ul style="list-style-type: none"> • Consultation information. • Customer complaints and compliments. • Customer insight. • Big Society approach. 	<p>Improvement</p> <p>The Transformation Programme including:</p> <ul style="list-style-type: none"> • Strategic Commissioning, • Service Reviews, • Property Rationalisation • Workforce • Relationship with Schools • Health Transition
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The process for developing the Strategic Delivery Plan and its subsequent implementation and utilisation is set out in section 6 of the report.

3.3 The Strategic Delivery Plan will be an umbrella document which pulls together the various elements highlighted above providing an overarching vision for the Organisation – signposting to additional information where appropriate this will provide clarity on how the various elements fit together to provide us with the foundations we need to realise our vision. The document will be housed on the Intranet and Warwickshire web, enabling elements of the plan and supporting documents to be updated as and when necessary providing us with a flexible and fluid document.

3.4 The Strategic Delivery Plan will be a key document in driving the Organisation's work and transformational agenda forwards providing a key reference point by which the Organisation can ensure it is on track and guide other areas of work.

4. Medium Term Financial Position

- 4.1 Whilst it is important that WCC takes stock of the ability to respond to changed priorities and seeks to always improve its planning arrangements it is clear that the development and implementation of the proposed Strategic Delivery Plan will need to take place within the context of known available resources. The latest resource forecasts are shown in Table 1 below. These are the figures underpinning the current approved Medium Term Financial Plan.

Table 1: Overall Predicted Council Revenue Position					
		2011/12	2012/13	2013/14	2014/15
		£m	£m	£m	£m
Resources	Formula grant ¹	107.324	98.680	93.746	89.059
	Core Grants ²	34.869	36.263	36.307	36.351
	Council Tax (2.5% year on year increase assumed after 2010/11) ³	232.670	240.276	248.130	256.241
	Surplus on council tax collection	1.784	-	-	-
	Reserves	1.048	-	-	-
	Total Council Resources	377.695	375.219	378.183	381.651
Spending	Net spend ⁴	377.695	375.324	375.219	377.508
	Inflation and capital financing costs ⁵	-	5.760	8.207	9.500
	Identified spending pressures ⁵	-	5.836	4.483	-
	Provision for indicative spending pressures	-	6.000	6.000	12.000
	Total Net Spending	377.695	392.920	393.909	399.008
	Deficit	-	(17.701)	(15.726)	(17.357)
Savings	Savings targets and plans already approved	-	19.426	16.117	-
	Remaining surplus/(deficit)	-	1.725	0.391	(17.357)

Notes:

- ¹ Formula grant figures assume an 8% cash decrease in 2012/13 and a further 5% annual decrease in each subsequent year
- ² Core Grants included here are Early Intervention Grant, Learning Disability Transfer Grant and Council Tax Freeze Grant. Dedicated Schools Grant and the new Public Health Grant are excluded.
- ³ Council Tax figures assume a 0.75% year-on-year increase in tax base in future years.
- ⁴ Net spend figures are the spend in the previous year adjusted for one-off or time-limited allocations
- ⁵ Estimated costs are as identified as part of setting the 2011/12 budget. Part of the budget scrutiny process for 2012/13 will include reviewing whether these costs are still valid.

- 4.2 As yet there is nothing specific to suggest these forecasts should be updated. However, in terms of sensitivity:

- ❖ Each 1% variation in formula grant compared to the above forecasts would increase/decrease the level of savings required by £0.9 million.
- ❖ Each 1% change in the level of council tax, from the 2.5% annual increase assumed above would increase/decrease the savings required by £2.3 million.

- 4.3 These figures show that the budget remains balanced for 2012/13 and 2013/14. However, potentially £17.4 million further savings may be needed to balance the budget in 2014/15. Therefore, as well as rolling the medium term planning allocations forward, the focus of the approach for agreeing the 2012/13 budget and

2012-15 MTFP, outlined in Section 5, will need to include a proposal for closing this gap.

- 4.4 Table 2 summarises the authority's capital programme, through to 2013/14, as approved in February.

Table 2: Approved and Indicative Capital Payments 2011/12 to 2013/14				
	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 and later years £m
Schemes started in previous years	71.113	15.972	2.973	0.250
2011/12 starts	44.080	4.835	2.035	-
2012/13 starts	-	22.869	-	-
2013/14 starts	-	-	22.305	-
Unallocated contingency	9.300	11.435	10.535	20.000
Total	124.493	55.111	37.848	20.250

- 4.5 The significant drop in new starts between 2011/12 and future years is because the Government has yet to announce any capital grant allocations for schools infrastructure beyond 2011/12. It is expected that figures, at least for 2012/13, will be announced in the autumn at which point the indicative programme will need to be updated. Therefore, whilst the current programme includes a significant unallocated contingency, any proposals to use this funding must be mindful of the uncertainty around future government capital grants towards the end of the MTFP period, especially in relation to schools and the revenue impact of any additional borrowing.

5 Medium Term Financial Planning and Budget Process

- 5.1 One of the disappointments of the 2011/12 budget setting process was that the late announcement of the number and levels of specific grants meant we could not operate a single budget process as intended. Not only did this means reductions in grant-funded services were considered separately from the other savings proposals, but it also reduced members flexibility in deciding how to utilise any 'spare' resources.
- 5.2 With most of the information on grants for 2012/13 already known, the first significant change we can make is to **operate a single budget process**. This means:
- ❖ All core grant funding for both revenue and capital (including local services grant) will be viewed as a corporate resource. Increases or reductions in the levels of grant will not be the responsibility of individual services; instead they will be treated in the same way as any other corporately funded service. The only exceptions will be dedicated schools grant and the new public health grant, if they remain ring-fenced.
 - ❖ Requests for additional capital resources will be considered alongside any requests for additional revenue resources.
 - ❖ Any additional revenue or capital resources, such as the funding from the NHS for social care and New Homes Bonus, will be treated as corporate resources. However, any conditions on the use of the funding will continue to be met.

5.3 It is proposed that the single all-encompassing budget process will be managed as two distinct workstreams. The first workstream will simply be a roll forward of the existing MTFP, the second will be managing any amendments to the assumptions in the MTFP. Both of these workstreams will be managed as part of the overall development of the Strategic Delivery Plan to ensure that priorities and resources are aligned. How it is proposed these two workstreams will operate is expanded further below.

5.4 **Workstream 1: Medium Term Financial Plan Roll-Forward**

The roll forward of the existing MTFP will focus on reviewing the indicative allocations for 2012/12 and 2013/14, to ensure they remain valid, and to extend these allocations through to 2013/4. The elements of the MTFP included as part of this roll forward are:

- ❖ inflation provisions
- ❖ capital financing costs and the allocations in the indicative capital programme
- ❖ existing medium term spending pressures
- ❖ savings plans
- ❖ any issues arising from the 2010/11 outturn
- ❖ corporate provisions, including general reserves and the service realignment fund

5.5 It is proposed that scrutiny of this information is initially undertaken through a number of forums:

- ❖ Corporate Finance
- ❖ SDLT
- ❖ Budget Working Group

Before going on to be considered by the Cabinet, as part of their overall budget proposals, and the other political groups.

5.6 **Workstream 2: Amendments to the Medium Term Financial Plan**

As highlighted in Table 1 above there remains a significant level of additional savings to be identified in 2014/15. Therefore, the focus of Workstream 2 will be on closing this funding gap. Whilst the headline figure of a £17.4 million gap is broadly the same level as the existing annual savings plan budgets, the position is not as critical. The existing MTFP includes a number of provisions/surplus' to cover future unidentified costs or slippage in the delivery of savings of £14.1 million. Therefore, providing there is a commitment to a 2.5% council tax increase each year and none of these provisions are used, the net gap could be as low as £3.3 million.

5.7 Whilst inevitably the roll forward of some of the existing MTFP, as outlined in paragraph 5.4, will potentially require the use of some of these provisions (particularly if inflation rates continue to remain at their current levels) the approach to Workstream 2 will be about avoiding the use of these provisions.

5.8 There are a number of ways in which the existing MTFP could be amended. The approach to each of these is:

❖ **New spending pressures or reduced savings proposed by a Service**

If a Service brings forward a new spending pressure, not included in the current MTFP, or requests the alleviation of a target within the existing savings plan, then the Service could be brought forward in the transformation and

service review process, outlined below. A criterion for early review is the extent to which the service consumes additional resources.

- ❖ **Reduced savings of increased investment proposed by a Political Group**
If a Political Group wishes to reduce a savings target in the current MTFP or invest additional resource in a particular service area, an alternative source of funding, to keep the MTFP balanced, needs to be identified. Options include increasing the savings requirement in an identified service area above the level in the MTFP or, alternatively, the Group may support a council tax increase above 2.5%. Any additional saving will need to be developed by the Political Group in conjunction with the relevant Head of Service and Strategic Director to ensure it is deliverable."
- ❖ **Downwards variation to a 2.5% Council Tax increase**
The MTFP is predicated on a 2.5% annual increase in council tax. Any proposal to reduce this assumed increase will require the identification of an equivalent level of additional savings. As outlined above, areas where Members are prepared to see additional savings will need to be identified and detailed proposals developed.
- ❖ **Additional savings from the ongoing Transformation and Service Review process**
Even if all the approaches to amending the MTFP outlined above are concluded successfully there will still be a residual need to deliver savings to balance the budget in 2014/15. To ask services to identify additional savings in the next few months when, in many cases, the service base against which these reductions will be made is far from certain, is felt to be unachievable with any degree of robustness. It is therefore proposed that the current transformation and service review process has an additional objective of reducing the overall cost of each service reviewed by a further 2%, deliverable by 2014/15. This will allow the 2014/15 budget to be balanced through a considered, evidence-based approach to determining the most appropriate model of service delivery for the future.

5.9 As with the roll-forward of the existing MTFP, it is proposed that scrutiny of this information is undertaken by Corporate Finance, SDLT and the Budget Working Group, before going on to be considered by the Cabinet, as part of their overall budget proposals, and then the Political Groups. There will however be a need to consider the timing of the financial arrangements so as to ensure that the business and financial planning processes are complementary.

6. Next Steps

6.1 The table below shows the indicative process for the development of the proposed Strategic Plan, Business Unit Plans, Medium Term Financial Plan. The 4 workstreams highlighted here together with various others most notably workforce planning will constitute the Strategic Delivery Plan. This diagram seeks to show not only the process necessary for the individual streams of work but also to highlight the critical interdependencies between them e.g. clear corporate ambitions and priorities and resource allocation are needed before the Business unit planning process can commence in earnest.

	July	August	September	October	November	December	January	February
Vision and Ambition	Cabinet approve approach to planning			Cabinet agrees high level Strategic Plan.	Council agree high level Strategic Plan.			Full Council agree measures and targets for inclusion in the Strategic Plan.2012-15.
	Work begins to inform Strategic Plan refresh		SDLT & Cabinet review data ²			Portfolio Holders and Heads of Service develop supporting Plan measures and targets.		
Budget and MTFP	Cabinet approves budget planning approach		HoS, Strategic Directors and Portfolio Holders review budget and MTFP			Cabinet's draft budget proposal published		Full Council agree the 2012 Budget
Business Unit Planning				Draft Strategic Plan & Business Unit Planning Guidance circulated to Heads of Service	Business Unit Plans developed each articulating:			
					<ul style="list-style-type: none"> How the unit will contribute to the delivery of the organisation's vision and ambitions. Key outcomes that will be achieved and activities that will be undertaken. How resources will be planned and deployed to support delivery of the plan. How progress will be managed through a suite of performance measures. 			
Asset utilisation	Cabinet approve Corporate Asset Management Plan		SDLT review delivery of outcomes as part of wider transformation programme office			SDLT review delivery of outcomes as part of wider transformation programme office	Individual product of CAMP outcomes and PRP feed into overall budget planning	

6.2 Additional work will be required to align the overall planning process for the proposed Strategic Delivery Plan and our workforce planning arrangements in order to achieve a truly integrated approach to priority led planning.

6.3 For this new approach to be effective the proposed Strategic Delivery Plan will need to be at the core of our business and genuinely used to inform business unit and service planning, transformation activity, resource allocation and our workforce development. This will result in a programme management style of planning and managing the organisations business in a more holistic and joined up way.

