

## **Service and Financial Planning Process 2006/07**

**July 2005**

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## Executive Summary

Under the Council's constitution the Cabinet is required to propose, and Council to agree, a timetable for the consideration of the Budget.

In addition the Council is looking to develop its processes through which financial and service planning, and performance management are operated for the coming year.

There were significant developments in the budgeting and planning processes last year and it is proposed to continue the improvement this year. Externally the Audit Commission is placing increasing demands on Councils to manage and deliver value for money. The Council is also responding to the requirement for improved engagement and consultation.

In light of this, the principle changes proposed for this year are as follows:

- *Open Budget Process* – The Council has decided to run an open budget process to increase consultation with residents. This will include an Assembly in the autumn which will consider priorities and elect a panel to scrutinise the process.
- *Communication* – The process will include higher levels of communication and support to Directorates, staff and managers involved in service planning and budgeting to embed an improved understanding of the rationale of the process, timescales and outputs.
- *Value for Money* – The Council is looking to further demonstrate that it manages delivering value for money through its planning and budgeting process. It is looking to further integrate the budgeting, service planning and performance management process around a value for money framework.
- *Medium Term Planning* – In support of integration, it is proposed to run the corporate and service planning process as a three year planning horizon to match the Medium Term Budget Strategy and reporting of Best Value Performance Indicators.

This report describes the proposed process and changes for this year.

## Recommendations

That Cabinet recommend (subject to any amendments) to Council the budget and service planning timetable in Appendix 4 and the key changes proposed to the process this year, highlighted above.

Reason: To recommend to Council a budget timetable to prepare the 2006/07 budget for consultation at the meeting of the Cabinet in December 2004 and to meet statutory requirements to set a legal budget, determine the Council Tax Base, and report the surplus or deficit on the Collection Fund.

## **Audit Commission Requirements**

The Audit Commission is placing an increasing emphasis on Use of Resources and Value for Money in its key lines of enquiry going forward. The lines of enquiry provide clear guidance for how the Council should look to evolve the process going forward.

These principles underpin how the Council is looking to develop its processes this year. In summary the lines of enquiry will require the delivery of a number of practices and characteristics from this process:

- There is a medium term finance strategy in place and the organisation demonstrates how financial plans and strategies have contributed to corporate objectives.
- Performance measures and benchmarking are used to describe and evaluate how the organisation's asset base contributes to the achievement of corporate and service objectives and improvement priorities.
- Members monitor key financial health indicators and set challenging targets.
- Members and managers actively use benchmarking information
- The Council has detailed information on the full short and long term costs of its actions and takes account of these when making decisions.
- There is strong commitment to managing costs alongside quality of services. Innovative approaches are used and have achieved clear improvements in value for money

On 24 February the Council agreed its budget and Council tax for 2005/06 and the Medium Term Budget Strategy for the period 2005/06 to 2007/08. Further details are attached in Appendix 1.

There are a number of legal requirements in relation to the budget and Council Tax and these are set out in Appendix 2.

The proposals set out below examine how the process operated for 2005/06 and what improvements are recommended for this year.

## **Summary of Process 2004/05**

The Council moved to a new financial and service planning process for 2005/06. This was in the context of a new Medium Term Budget Strategy and an aspiration to improve the levels of integration between the service planning and budgeting process.

The key characteristics of the process last year were as follows:

- The Council completed a Medium Term Budget Strategy setting budgets for a 3yr period from 2004/05 to 2006/07.

- The process looked to improve the integration between financial planning, service planning and performance management in the following ways:
  - Replacement of the strategic position statements with high level service plans.
  - Development of high level service plans July - September 2004 as part of the process for supporting initial budget proposals.
  - Detailed service planning process in March and April 2005 in response to decisions around the setting of Council Tax.
  - Corporate Planning exercise which combined high level service proposals with budget outcomes and performance targets and was published in June 2005.
  - New Best Value Performance Plan which constituted the Corporate Plan and an appendix of Best Value Performance Indicators (outturn and 3yr targets).
- A new set of corporate priorities was developed to drive the service and corporate planning process around a common set of aims.
- Service plans and the corporate plan included a detailed risk register with risk owners and mitigating actions specified.
- The capital programme and Housing Revenue Account were developed as integral parts of the financial planning process.
- The Gershon reporting process has completed forward and backward looking statements which have required the reporting of efficiency targets embedded in budgets.
- There was improved consultation with Members and stakeholders during the process.

## **Proposed Process**

The process operated for 2004/05 represented a number of significant changes and advances on previous years.

A number of key improvements to the process have been identified for this year which are incorporated into the proposed process below.

### ***Medium Term Value for Money Framework***

The Council runs a number of processes at a Corporate level which place a burden on Directorates. The process recommended below looks to simplify these processes by integrating them wherever possible into a value for money framework. This framework will be further developed as the basis for challenge and review to service plans and budgets.

This will be achieved by improving the alignment between the financial planning, service planning and performance management processes, through a number of changes:

- Develop service plans and the corporate plan on a 3yr basis to reflect the timeframes adopted for the Medium Term Budget Strategy and BVPIs.
- Continue to run an initial high level service planning process in August and September but with an improved format for high level service plans that is more consistent with the delivery of the final published detailed service plans in April 2006. This will incorporate a number of key areas:
  - Key changes in the external environment expected over the next 3 years
  - Longer term performance targets developed for 3yrs to reflect the outcomes of setting the BVPI targets that took place June 2005.
  - Set out plans for key projects that will deliver these targets over 3 years
  - Budget proposals for the refresh of the Medium Term Business Strategy.
- Publish detailed service plans in April 2006 and the Corporate Plan in July 2006 to coincide with the BVPP timetable. It is not recommended that the Corporate Plan be agreed in April just before the next Council elections.
- Continue to develop the risk registers in Directorates as a critical part of the planning process.
- Develop an Organisational Performance and Finance challenge process for use in budgeting and high level service planning, built around a new value for money framework.

## ***Corporate Aims***

The corporate aims were developed for the service and corporate planning process in April 2005. The current set of corporate aims for the Council are:

- Strengthening Harrow's Communities
- Putting Harrow on the Map
- Valuing Harrow's Customers
- Impact Through Harrow's Partnerships
- Harrow – a True Learning Community

In delivering its priorities the Council also commits to further develop the practices of a Business Like Organisation.

It is proposed to retain the current set of corporate aims for the next Corporate Plan as they were only adopted by Cabinet in February and are still appropriate for driving our planning.

The proposed timetable is designed to reflect some time to re-adjust the Corporate Plan and Service Plans should there be any significant change to corporate aims as a result of the May elections. This area however will remain an outstanding risk.

### ***Gershon Efficiency Reporting***

The Council has now completed its two Annual Efficiency Statements including the Forward Look and the Backward Look. The Council will need to continue to plan its delivery of the efficiency agenda and to monitor progress.

The result of this should be a simplification of the Gershon reporting process, where the Annual Efficiency Statements become a natural product of the service planning and budgeting process.

As such it is proposed to include an efficiency strategy in the service plans to embed ownership, delivery and monitoring of Gershon requirements. This will involve the identification of specific and quantified Gershon savings as a part of the budget plans.

### ***Performance Management***

The value for money framework which is underpinning this approach will also require the specification of three years of targets for key performance indicators.

The objectives here is to use the current targets from the BVPP as a starting point and to supplement these with local indicators as required using input from the Strategic Performance Report and Director scorecards.

### ***Response to the Scrutiny Review of Budget Process***

During 2004/05 the Overview and Scrutiny Committee completed a scrutiny review of the budget process. Cabinet received a detailed report on the first phase of the scrutiny at its meeting on 17 March and noted the response to the recommendations. The details are attached at Appendix 5 for information.

The scrutiny involved establishing a Community Budget Group. The report of the Community Budget Group to Overview and Scrutiny is attached at Appendix 6 and the reference from Overview and Scrutiny to Cabinet is attached at Appendix 7.

The objective of producing more meaningful financial information for the public and stakeholders is fully supported. The 2005/06 budget book is a shorter document, with more detailed budgets being produced within Directorates for use by managers. This will be an improvement on the 2004/05 publication but further work is required to produce the type of budget summary booklet recommended by the CBG. For the 2006/07 budget round information will be provided by service area - this will be a step towards the summary sheets recommended by the scrutiny. Major changes will be possible when the new ERP system is implemented in 2006/07.

### ***Open Budget Process***

There are 5 key elements in the Open Budget Process. The central event is the Assembly – a meeting of around 300 residents and stakeholder representatives.

1. The Open Budget Steering Group (Members) is appointed to:
  - Identify date for Assembly
  - Identify date for first meeting of Open Budget Panel
  - Present a scoping document to the Finance Portfolio Holder for approval by Cabinet
  - Consider whether participants in the process should be paid
  - Identify which stakeholder groups should fill the 20 places at the Assembly
  - Appoint the Open Budget Management Board
2. The Open Budget Management Board (expert Panel) is appointed to:
  - Develop communications strategy
  - Produce discussion document
  - Draw up agenda for Assembly
  - Ensure Assembly is representative
3. The Assembly meets to
  - Consider priorities (using the discussion document as a starting point)
  - Elect Open Budget Panel
4. The discussion document is also used at various stakeholder meetings.
5. Open Budget Panel:
  - Meets regular over course of a year
  - Reviews current spend
  - Studies budget process
  - Provides feedback to Assembly

The Open Budget Process will run alongside the internal financial and service planning process.

### ***Other Forms of External Consultation***

The Open Budget Process will form the central part of the consultation process for the 2006-07 budget and service plans and will replace both the postal survey and the public meetings.

However, it is likely that the series of stakeholder meetings will take place in a similar format to last year. In addition the use of the Council's website to provide information and raise awareness will be investigated.

### ***Improved Internal Communication***

The process for 2006/07 will see improved levels of communication within the Council among Directorates. This will involve:

- Developing and maintaining a central communications plan for budgeting and service planning to specify timescales, sign off and launch arrangements



- Running a budgeting workshop with each of the key Directorates to clarify processes, responsibilities and timescales.
- Running a service planning workshop to clarify processes, responsibilities, timescales and templates.
- Ensuring that both responsible Directors and Managers are involved in the communications process. It is essential that middle managers are involved in the agreement of plans and budgets across Directorates.
- Ensuring that across all Directorates there is clear understanding about the value of the process, the role and function of the various plans and the roles of relevant audiences
- Maintaining emails alerts and reminders throughout the process.
- Identifying a key point of contact for both budgeting and service planning in Organisational Performance, Finance and within each Directorate. Executive Directors will be asked to nominate a dedicated person for this and to ensure that this person has the necessary support within the Directorate to undertake the work and to make decisions.
- Improving the project and communications management of the service and corporate planning process by developing a central project and communications plan.
- Starting the process earlier in July 2005 to allow Directorates to plan ahead and identify key resources required.

### ***Guidance and Templates***

As part of the process Organisational Performance will be:

- Improving the service planning guidance and templates to provide examples, clarify accountabilities and explain the value of the process. (See Appendix 3)
- Developing terms of reference for the challenge process so that feedback to Directorates is consistent and at an appropriate level.
- Developing templates which are more consistent between the high level service plan and detailed service plans.

### ***Critical Timescales***

There are a number of critical milestones around which the process must be anchored for 2006/07. At each stage of the process there must be sufficient linkages in place between financial planning, service planning and performance management to maintain the value for money approach.

There must also be sufficient communication and consultation in place to build stakeholder ownership.

As demonstrated in the table below the first key milestone will be the review of the MTBS for Cabinet in October. The draft revenue, capital and HRA budgets will then be put to Cabinet in December as a package.

Milestone	Date
Review current MTBS	October 2005
Develop detailed revenue, capital and HRA budgets for 2006/07	September - November 2005
Roll forward MTBS to 2008/09	October/November 2005
Draft budgets to Cabinet	December 2005
Final budget to Cabinet and Council	February 2006
End of year	31 March 2006
Publish BVPP	30 <sup>th</sup> June 2006

Both the Executive and Scrutiny Members will have a role to play in the financial and service planning process.

- Budget Review Working Group (chaired by Cllr Dighe) will consider and challenge Directorate's high level service plans in October/November. It is suggested that Cllrs Ingram and Versaillion join the Group for their meeting.
- Overview and Scrutiny members to be involved at key stages in the process.

### ***Dependencies***

The development of the Medium Term Budget Strategy will depend upon a number of factors:

- Changes to the grant regime (the government is currently consulting on 3 year settlements and changes to Education funding; work is also underway on possible formula changes)
- Technical assumptions such as inflation and interest rates
- 2004/05 outturn position and 2005/06 budget monitoring information
- Any changes to the Gershon targets in future years

### ***Legal Considerations***

The Council has a statutory duty under Section 30 of the Local Government Finance Act to set a balanced budget and set a Council Tax before 11 March for the forthcoming financial year.

The Local Government Act 2003 has placed new statutory and personal duties on the Director of Financial and Business Strategy (in her capacity as the Council's Chief Finance or S151 Officer) to report formally on:

- Robustness of the budget estimates
- Adequacy of reserves allowed for in the budget proposals.

The Local Government Act 2003 also includes a new power to charge for discretionary services (except where charging is expressly banned by other legislation) so as to recover costs. There is a separate power for authorities with fair, good or excellent CPA ratings to set up companies to trade, for which regulations are about to be made and guidance issued.

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## Appendix 1 - Medium Term Budget Strategy 2005/06 to 2007/08

### Medium Term Budget Strategy

The Council has developed a three year Medium Term Budget Strategy (MTBS) to cover all revenue and capital expenditure. The MTBS, covering the financial years 2005-2006 to 2007-2008, was approved by the Council on the 24 February 2005.

The MTBS highlights the key areas of investment for the Council over the forthcoming 3 years and how this will be funded. It is updated annually on a rolling basis. There are clear links between the 6 priority areas contained within the Corporate Plan and the investment contained in the MTBS to help deliver objectives within these areas.

#### *Revenue Budget*

The Council's net revenue expenditure for 2005-2006 is £253.5m, an increase of £10.9m (4.5%) on the 2004-2005 net revenue expenditure of £242.5m.

As well as providing £6.1m to cover the costs of inflation, the revenue budget includes significant growth and efficiency savings to help the Council meet its objectives contained elsewhere in the Corporate plan. Some of the critical areas are outlined below:

- An additional £7.1m to schools in Harrow to meet central government passporting requirements and enable them to both address pressures on their budgets and respond to national government initiatives and local needs.
- An additional £2m to enable the roll out of the 'Clean & Green' programme of improved public realm maintenance to the last 3 of the 9 areas in the Borough during 2005-2006.
- An additional £2.2m for Children's Social Care to enable the Council to meet new government requirements and provide improved services to both looked after children and children in need across the Borough.
- An additional £1.6m for Adult Community Care to enable the Council to respond to the needs of vulnerable adults across the Borough.
- An additional £0.3m for Youth & Community services to help the Council improve provision of services to young people across the Borough.
- An additional £0.1m for libraries and culture to extend the opening times of some libraries into Sunday and enhance the provision of cultural services across the Borough.
- An additional £0.1m to improve the provision of sports and leisure facilities across the Borough.
- An additional £0.2m to increase recycling across the borough and enable the Council to meet government targets.

- An additional £0.9m to improve the Council's support for businesses in the Borough and the local economy.
- An additional £0.3m to further improve performance in determining planning applications and meet government requirements on strategic planning.

An additional £0.3m to cover the anticipated revenue costs of new IT systems, in conjunction with a private sector partner organisation, which will lead to significant efficiencies and service improvements in future years. Further details on this are provided in the commentary on the Capital Programme below.

Efficiency savings totalling around £5.9m from improved procurement, investment in IT and new ways of working to help fund some of the growth areas noted above. This represents about 4% of the Council's net revenue budget, excluding schools (who manage their own budgets).

#### *Housing Revenue Account (HRA)*

In addition to the Council's revenue budget, it is required to maintain a separate account to cover all revenue expenditure and income relating to its Council House stock. In 2005-2006 the Council expects to spend £17.1m of revenue on its Council Housing stock. This is funded in the main from rents from the properties it owns.

Table 1 summarises the Medium Term Revenue Budget Strategy

Table 1

<b>Medium Term Revenue Budget Strategy</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Repriced Base Budget	242.708	254.361	151.607
Base budget Changes	-2.500	-0.540	-0.154
Basic Inflation (exc. schools)	4.482	4.600	4.720
Additional Inflation	1.664	1.090	0.990
Transfers of functions & specific grants	-0.694	0.100	-0.700
Schools passport	7.056	-110.900	0.000
Transfers to/from capital	-0.384	0.000	0.100
Net directorate growth	2.029	2.896	1.641
<b>MTBS</b>	<b>254.361</b>	<b>151.607</b>	<b>158.204</b>
RSG amending report	-0.205	0	0
Balances / Reserves adjustments	-1.323	0	0
Collection Fund Deficit 2004-2005	0.670	0	0
<b>Net Position</b>	<b>253.503</b>	<b>151.607</b>	<b>158.204</b>
Council Tax	£1,041.28	£1,063.27	£1,078.63
Percentage change	0.72%	2.11%	1.44%

### Council Tax Levels

The total tax bill for a Band D household is £1,295.90, which is a total increase of 1.62% on the comparative figure for 2004-2005. Details of how this is shared between Harrow and the Greater London Authority are shown below.

Table 7

	2004-2005	2005-2006	Change	
	£	£	£	%
Harrow Council Services	1,033.89	1,041.28	7.39	0.72
Greater London Authority	241.33	254.62	13.29	5.50
<b>Total Council Tax</b>	<b>1,275.22</b>	<b>1,295.90</b>	<b>20.68</b>	<b>1.62</b>

### Capital Expenditure

As well as revenue expenditure, the Council incurs capital expenditure on investment in physical and ICT assets. For 2005-2006 it has approved a Capital Programme of £60.8m. This is split over a number of schemes, and details of the major areas of expenditure are given below:

- £10.0m investment in the Council's Housing Stock to begin a programme to bring all of the stock up to decent homes standard by 2010.
- £6.2m of transport related investment covering a number of schemes, funded by Transport for London.
- £2m of locally financed expenditure to improve the condition of roads in Harrow.
- £1.5m of locally financed expenditure to begin a programme to replace all of Harrow's street lighting.
- £1.8m of locally financed expenditure to make improvements to Harrow's public realm and the infrastructure of its parks.
- £1.2m to develop sporting facilities in the Borough and improve the condition of the Leisure Centre.
- £1m to assist with economic development and regeneration across the Borough.
- £1.5m to continue the programme of refurbishment to the Civic Centre and the Depot, which is leading to revenue efficiency savings.
- £3.2m of government supported funds to improve various schools across the Borough.

- £1.7m to begin improvements to the Town Centre in advance of the planned major redevelopment.
- £0.9m funded from external sources to restore Canon's Park.
- £9m to support the development of the Business Transformation Partnership, which will lead to both significant improvements in service and revenue efficiency gains.
- £4.8m of investment in other ICT infrastructure to enable more effective and efficient use of new technology.

The Capital Programme is funded from a number of sources including long-term borrowing, capital receipts generated from the sale of other assets and grants and contributions from government agencies and others. For 2005-2006 grants and contributions are expected to total £13m, capital receipts £4m, with the rest of the funding (£43.7m) coming from long-term borrowing.

## Appendix 2 - Legal Requirements to Set a Budget and Council Tax

### Legal Requirement to Set a Budget and Council Tax

The Council has a statutory duty to set a balanced budget and to set a Council Tax before the 11 March for the forthcoming financial year.

There are very important practical reasons for the Council to approve the budget and set the Council Tax before the 11 March, including the Council's ability:

- Send out bills so that Council Tax instalments can begin from 1<sup>st</sup> April. The consequences of delay may have implications for the public in terms of the payment of Council Tax and will have financial implications for the Council.
- Notify schools formally and as early as possible of their budget shares, to allow Governing Bodies to finalise their budgets with certainty.
- Notify all managers of their budgets as early as possible to ensure continuity of service and the implementation of changes required in the approved budget.

The proposed timetable at Appendix 4 therefore proposes the Council meeting on the 26<sup>th</sup> February as the budget and Council Tax setting meeting.

### Legislation in Relation to the Schools Budget

Education Authorities (LEAs):

- Determine the proposed amount of their schools budget for the following year
- Give notice of their determination to the Secretary of State and to the governing body of every school maintained by the authority.

If the Secretary of State considers that the amount of the proposed schools budget is inadequate, the Secretary of State has the power (within 14 days of receiving the above determination) to issue a notice determining the minimum amount of the schools budget for the LEA for the year.

In order to meet the requirements of the Act, the Cabinet would therefore need to determine its proposed schools budget by mid-December. Unless there are significant improvements to the timeliness of the finance settlement, the requirements in the Act require the schools budget to be determined:

- In advance of the final details of the Finance Settlement (currently not available until late January).
- Prior to completion of budget and council tax consultation.
- In isolation from Councils' overall budget and Council Tax decisions.



This requirement is reflected in the proposed budget timetable at Appendix 4.

## **The Council's Constitution in Relation to the Budget**

Part 4 Section D of the constitution - "Budget and Policy Framework Procedure Rules" sets out the requirement for the Cabinet to:

- Propose and Council agree a timetable for the consideration of the budget before the publication of any draft budget proposals.
- Publish draft proposals for the following year's budget by no later than 1<sup>st</sup> November in any year.
- Arrange appropriate consultation on these draft budget proposals with local stakeholders and others.

## Appendix 3 - Draft Structure of High Level Service Plans

The purpose of this template is to provide Executive Directors guidance on preparing their high level service plans as the first part of the 2005/06 service and budget planning process.

A final version of the template will be issued in July.

This template has been designed to embed in the organisation the principle that performance targets and service planning should be driving the Medium Term Budget Strategy and process.

High level service plans are a key component for integrating the financial and service planning process for 2006/07 and future years. The process for defining high level service plans will commence in July 2005.

The high level service planning process looks to identify the key changes impacting Directorates and what performance ambitions each Directorate is looking to set. It should identify major projects and budgetary implications and should draw portfolio holders early attention to changes ahead. In summary the objectives of the process are as follows:

- *Contextual Change* – To identify the key external and internal contextual changes that will impact services in the next three years. This should cover both the demand for services and changes to how services are to be delivered.
- *Performance Commitment* – The BVPP has made a number of performance commitments for Directorates. This part of the plan should highlight the key performance targets in place and summarise what the Directorate is looking to achieve.
- *Financial Requirements* – This should highlight the high level implications for budgetary requirements going forward and the commitments to meeting the Council's delivery of the Gershon agenda. Financial information will be shown by service area to improve accessibility.
- *Plans* – At a summary level this should include the projects that underpin the financial requirement and that are required to deliver the planned performance improvement.

One submission is required per Executive Directorate and detailed proposals for costings are not required at this stage.

### High Level Service Plan Template

Section	Contents
Service	
Current 3yr Budget 2005/06 – 2007/08	
Contextual Changes	<i>External Context</i> <ul style="list-style-type: none"> <li>▪ Regulatory and statutory changes</li> <li>▪ Transfer of functions to or from other organisations</li> <li>▪ Cessation of significant grants</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Implications of Gershon review</li> <li>▪ Agenda for Choice</li> <li>▪ Community engagement</li> <li>▪ Area level management</li> <li>▪ Changes in CPA</li> </ul> <p><i>Council Priorities and Local Demands</i></p> <ul style="list-style-type: none"> <li>▪ LPSA targets</li> <li>▪ Changes in customer expectations</li> <li>▪ Demographic change</li> <li>▪ Community strategy priorities</li> <li>▪ Community engagement strategy</li> <li>▪ Equality standard and race equality scheme</li> <li>▪ Improved performance management</li> <li>▪ HR strategy</li> <li>▪ ICT strategy and technological changes</li> <li>▪ Business transformation partnership</li> <li>▪ Harrow corporate university</li> </ul>
<i>Performance Commitments</i>	<p><i>BVPs &amp; Targets</i></p> <ul style="list-style-type: none"> <li>▪ 3yr targets for BVPs</li> <li>▪ Targets for 'killer KPIs'</li> <li>▪ Other specific local targets for 3 yrs</li> </ul> <p><i>Efficiency Delivery</i></p> <ul style="list-style-type: none"> <li>▪ Commitments from forward look Annual Efficiency Statement</li> <li>▪ Efficiency savings identified in backward look Annual Efficiency Statement</li> <li>▪ Strategy and targets for delivering efficiency gains over 3 yrs</li> </ul>
<i>Financial Requirements</i>	<p><i>Future Budget Requirements</i></p> <ul style="list-style-type: none"> <li>▪ Implications of high level service plan for budget requirements</li> <li>▪ Budget requirement for Medium Term Budget Strategy</li> </ul> <p>(NB, Financial information to be shown by service areas within each Directorate)</p>
<i>Plans</i>	<ul style="list-style-type: none"> <li>▪ Key projects planned to deliver 3yr performance targets</li> </ul>

## Appendix 4 - Proposed Service Planning and Budget Timetable 2006/07

Key Milestones 2005/06	Budget	Service Plan
End July 2005	Issue high level service plan guidance and timetable	
End July 2005	Report to Cabinet on Service & Financial Planning process and timetable for 2006/07	
August - September 2005	Delivery of high level service plans	
August - September 2005	CMT / Directors / Portfolio Holders review current MTBS and high level service plans	
September 2005	Budget Review Working Group to consider high level issues Full service planning guidance and templates issued.	
September/October 2005	Development of detailed budgets by Directorates	Development of more detailed service plans by Directorates
September/October 2005	<b>Open Budget Assembly</b>	
October 2005	Challenge process (Executive and Scrutiny members)	
October 2005	Report to Cabinet on MTBS refresh and issues for Corporate Plan	
November 2005	Budget Review Working Group to consider service & budget plans.	
Early December 2005	Provisional Finance Settlement received.	
15 December 2005	Reports to Cabinet to seek approval prior to consultation on draft MTRBS and revenue budget for 2006/07 draft MTCBS and capital programme for 2006/07 draft medium term HRA	
December 2005	Cabinet to approve Schools budget	
By 31 <sup>st</sup> December 2005	Executive Director (People First) gives notice of the Council's determination of the amount of the schools budget to the Secretary of State and to the governing body of every school maintained by the authority.	

<b>Key Milestones 2005/06</b>	<b>Budget</b>	<b>Service Plan</b>
January 2006	Reports to Cabinet on deficit/surplus on Collection Fund Council Tax Base for Tax Setting purposes	Draft Corporate Plan
January 2006 (dates to be confirmed)	Stakeholder meetings to discuss budget and service issues	
30 <sup>th</sup> January 2006	Overview and Scrutiny to consider initial budget proposals	Initial draft of service plans and Corporate Plan
By 31 <sup>st</sup> January 2006	Director of Financial and Business Strategy to notify precepting and levying bodies of Council Tax Base.	
End January 2006	Final finance settlement received.	
Early to mid February 2006	Details of GLA Precepts and other levies received	Challenge process to detailed service plans
16 <sup>th</sup> February 2006	Cabinet: Receives details of the finance settlement; Receives responses from consultation; Considers budget proposals including advice on robustness of estimates and adequacy of balances; Recommends 2005-06 budget and Council Tax to Council.	Amendments to Directorate service plans in light of challenge process feedback
23 <sup>rd</sup> February 2006	Council approves: MTRBS, revenue budget for 2005-06 and Council Tax MTCBS HRA for 2005-06 and rents	
End February – 1 <sup>st</sup> week March	Council Tax billing begins	
10 <sup>th</sup> March 2006	Statutory date by which the Council must determine the 2004-05 Council Tax	
By end March 2006	Corporate budget book and service plans published.	
By end of May 2006		BVPIs collected
30 <sup>th</sup> June 2006		BVPP published incorporating the Corporate Plan. Sign off Corporate Plan to be

<b>Key Milestones 2005/06</b>	<b>Budget</b>	<b>Service Plan</b>
		timetabled around Cabinet and full Council dates.

## Appendix 5 – Response to recommendations of the scrutiny review of budget process (Phase 1)

Scrutiny Review Recommendation	Response
<p>1.1.1 Any consultation this year shall not take the form of a questionnaire along the lines of previous years.</p>	<p>This recommendation has been implemented.</p> <p>For the 2005-06 budget the consultation has included a postal survey of 4,000 households selected at random, conducted in partnership with MORI, and a series of stakeholder meetings. The response rate for the survey was 32%. In future years consideration will be given to web based consultation and focus groups.</p>
<p>1.1.2 The Council identify clear guidelines for consultative procedures which include:</p> <ul style="list-style-type: none"> <li>• Identifying the purpose for each consultation carried out.</li> <li>• What consultative mechanism is best suited to typical purposes.</li> <li>• What standards should be adhered to in consultations [For instance: preventing duplicate submissions, avoiding misleading or loaded questions].</li> <li>• Whether 'sales type' questionnaires (those that do not make clear the costs / other tradeoffs of a selection) should be used by the Council.</li> <li>• That these guidelines should be evolved and maintained by the standards committee.</li> </ul> <p>It is recommended the Council adopt MRS guidelines as the foundation principles for the consultative procedures and guidelines to be developed.</p>	<p>An engagement strategy is being developed by the Council. It is currently being consulted on with partners and the community. It will be reported to Cabinet in the first quarter of 2005/6.</p>
<p>1.1.3 Future budget consultative processes are explicitly assessed against three criteria:</p> <ul style="list-style-type: none"> <li>• The success of the process in disseminating knowledge in the community of the budgetary choices and pressures faced by the Council.</li> <li>• The success of the process in generating a sense of 'ownership' by the community of the budget setting process, rather than the</li> </ul>	<p>For 2005-06 the success of the survey can be measured in terms of the response rate. The attendance level at the stakeholder meetings was relatively poor.</p> <p>For future years, more emphasis will be placed on raising awareness and disseminating knowledge.</p>

<p>community perceiving the budget setting process as something of which they are passive recipients, particularly for those groups in the community who are usually judged as being 'hard to engage'.</p> <ul style="list-style-type: none"> <li>• Does the process make explicit the political framework within which choice is being given [i.e. being politically transparent].</li> </ul>	
<p>1.1.4 Measures be developed to assess whether any consultation has met these criteria. We suggest that suitable measures might include:</p> <ul style="list-style-type: none"> <li>• the number of residents who have participated in the consultative process,</li> <li>• a measure of their satisfaction with the consultative process,</li> <li>• the extent to which residents             <ul style="list-style-type: none"> <li>○ feel 'well informed' on the budgetary choices and pressures facing the Council,</li> <li>○ understand the political framework within which choice has been exercised,</li> <li>○ believe that the budget has been determined primarily with the wellbeing of the residents of the borough, even if they disagree with the detailed outcome.</li> </ul> </li> </ul>	<p>Our community engagement strategy will propose measures for assessing consultation activity.</p>
<p>1.1.5 That Harrow considers the controlled use of a comprehensive on-line budget consultation program to establish the views of a representative sample of informed residents.</p>	<p>This proposal will be investigated for the 2006-07 budget round.</p>
<p>1.1.6 Harrow should experiment with participatory principles in a structured manner. The budget is an obvious candidate, given the substantial public interest in this area, and the interest of many groups in its outcome. We would suggest that Scrutiny is an appropriate medium through which such experimentation should take place, so long as such pilots as are undertaken are properly supported by Officers.</p>	<p>A Community Budget Group has been formed and the reports from that group are awaited with interest.</p> <p><i>(Update: the Open Budget Process has now commenced for 2006/07)</i></p>
<p>1.2.1 Performance management: That performance information is provided in a standardised form to Cabinet alongside budgetary information, along the lines of the Vital Signs report produced at Kensington &amp;</p>	<p>The balanced scorecard has been introduced to ensure that performance information is submitted to Cabinet in a standard format and the quarterly timetable mirrors the budget monitoring</p>



<p>Chelsea.</p>	<p>cycle. This approach will continue to be developed.</p>
<p>1.2.2 CMT / Cabinet accountability issues:</p> <ul style="list-style-type: none"> <li>• That CMT has an annual 'contract for progress' that clearly defines the performance targets that are being proposed for the forthcoming year, and which require joint working for effective delivery.</li> <li>• That an annual 'business plan' be presented to full Council alongside the budget, along the lines of the Kensington &amp; Chelsea Cabinet Business Plan (Refer to Appendix 2).</li> </ul>	<p>A new performance management scheme is being developed for all staff including members of CMT. The Corporate Plan is being refreshed and Directorates are producing service plans in a standard format for 2005-06. Work on the corporate plan and service plans has been carried out alongside the budget process, although service plans will not be finalised until after the final budget decision in February. Further integration of service and budget planning will take place in 2005-06. These plans will be the starting point for improved individual performance targets at all levels of the organisation.</p>
<p>1.2.3 That a budget explanatory booklet along the lines of that seen in Camden (The Camden Finance Guide) be produced and placed on the intranet and internet (Refer to Appendix 3).</p>	<p>Training sessions have been developed for Members on Local Government Finance and for staff on financial management. The content of these sessions will form the basis of a booklet to be developed in 2005-06 which can be placed on the internet.</p>
<p>1.2.4 That the final Invitation to Negotiate document in the Transformation Partnership document has as a high priority the alignment of budgeting, management information, KPI and staff incentivisation systems.</p>	<p>The alignment of budget information, management information and performance indicators is a core feature of the invitation to negotiate. Staff incentivisation is an area for further development.</p>
<p>1.2.5 Incentives (see also 1.3.1 below): That serious consideration be given to the provision of financial incentives to senior staff along the lines of those given at Kensington &amp; Chelsea. (Refer to Appendix 4) Incentives for junior and professional staff may be provided more effectively in another form [e.g. recognition] as pay incentives can never be a replacement for high-quality management and a professional, pleasant environment. Pay incentives within environments characterised by top-down management styles and arbitrary decision-making will not have a positive impact.</p>	<p>Proposals for a contribution based pay scheme are being developed – progression would depend on the contribution to the performance of the Council rather than automatic increments.</p>

<p>1.3.1. Personnel data: We recommend that the ITN for the financial and HR systems specify that responsibility information should be included in HR records, which should facilitate the collating of staff survey data. We also recommend that the HR system should facilitate the production of a staff directory.</p>	<p>The ITN sets out the requirements for the HR system but does not go into specific details such as responsibility information. However, the systems available will have this capacity.</p>
<p>1.3.2 Best practice in departmental budget setting should be documented at the Corporate level and implemented in departments. This should include:</p> <ul style="list-style-type: none"> <li>• meaningful and timely communication and consultation with those affected by budgets</li> <li>• those responsible for managing budgets to be part of the budget construction process</li> <li>• the integration of budgetary material and KPI targets into departmental plans</li> <li>• formal cross-departmental working on departmental and budget planning</li> </ul>	<p>Budget holders are involved in the budget setting process although this is an area for further development next year.</p> <p>The new format for Directorate Service plans includes financial information and performance targets.</p> <p>There is cross-departmental working on service and budget planning via CMT. In addition, the service planning process includes cross checking in key areas such as finance, HR, equalities etc and a council wide review by Strategy Directors.</p>
<p>1.3.3 KPI should be part of regular departmental briefings to staff. Individual staff whose performance relates to particular KPI should be individually updated on a regular and timely basis of changes in those KPI.</p>	<p>The Council will be implementing improved individual performance management during 2005/6. This will relate Corporate priorities to every member of staff in the organisation. Each service has developed scorecards for performance which can be used to brief staff about performance.</p>
<p>1.3.4 We recommend incentives to make savings and/or to deliver below budget, whilst meeting top quartile KPI targets, to be agreed at corporate and departmental level and included as part of the 'Investing in people' strategy.</p>	<p>The Council will produce its first annual efficiency statement in April 2005. This will specify priority efficiency savings. These savings will be reflected in individual performance targets for staff.</p>
<p>1.3.5 That information provided to Councillors on this year's budget proposals:</p> <ul style="list-style-type: none"> <li>• Shall include information on how the 05/06 proposals differ from the actual out-turn for 02/03, together with an explanation of growth</li> </ul>	<p>It was not possible to provide the information suggested for the 2005-06 budget round and this is an area for development for 2006-07. There are some system constraints that will not be</p>

<p>and reduction items against each item since that date</p> <ul style="list-style-type: none"><li>• Shall include information on comparative actual figures for the last 5 years.</li></ul>	<p>resolved until the new ERP package is in place.</p>
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## **Appendix 6 – Report of the Community Budget Group to Overview and Scrutiny**

The summary recommendations from the Community Budget Group are included below. A more detailed report is available and can also be viewed on the Council's website.

The pilot Community Budget Group recommends that:

1. The Council introduce a Budget Summary Booklet consisting of:
  - i. An Overview Sheet
  - ii. Budget Summary Sheets in the format detailed in Appendices A to D, and according to further explanations within this report.
2. Budget Summary sheets be developed in line with approximately 40 'service areas' recognisable by a person external to the Council. Suggested groupings are included at Appendix F.
3. Each Budget Summary sheet is signed off by the Director responsible for that 'service area', relevant finance officer and the Chief Executive.
4. Budget Summary sheets are completed in accordance with the Guidelines at Appendix E.
5. Any future CBG be provided with this information annually and quarterly in the format in Appendices B and D to allow for effective scrutiny of the Council's budget.
6. The Budget Summary Booklet, Revenue Budget & Capital Investment Plan, all Corporate Plans and any other corporate documentation that would be available under a Freedom of Information request (i.e. not legally restricted), is made available to the public via the Harrow Council Internet site and electronically through Harrow Council libraries to allow all interested parties to examine the cost and performance of all services provided.
7. The role of any future Community Budget Group be explored through the Community Engagement scrutiny review currently being undertaken and that the results of this are tabled in sufficient time to be incorporated into the 2006/7 budget cycle.

## **Appendix 7 – Reference from Overview and Scrutiny to Cabinet**

### **LONDON BOROUGH OF HARROW**

#### **Reference from the Overview and Scrutiny Committee meeting held on 26 April 2005: Report of the Pilot Community Budget Group**

1. At its meeting on 26 April 2005, the Overview and Scrutiny Committee considered a joint report of the Director of Organisational Performance and the Director of Financial and Business Strategy, which set out the report of the pilot Community Budget Group (CBG). The pilot CBG had been established as part of the Scrutiny Review of Budget Processes, and had considered how the presentation of the Council's budget material could be improved in order to make it more accessible to the public.
2. Three members of the pilot CBG, Ruth Boff, Cliff Lichfield and David Page, were present at the meeting. They outlined some of the issues relating to the Council's budget material which they had identified, and introduced the group's recommendations. These included the development of budget summary sheets, the format of which had been devised by the pilot CBG, and the grouping of budgets into approximately 40 service areas. It was recommended that the budget material should focus on those areas of the budget that the public could influence, and that the public should not be consulted on areas of the budget over which the Council had no control. It was also recommended that the budget material should use more meaningful ratios for the costs of services, such as the cost per dwelling or the cost per service user.
3. The Portfolio Holder for Business Connections and Performance Management, who was also in attendance, welcomed the work of the pilot CBG. He endorsed recommendations 5, 6 and 7 of the group's report and added that he would extend recommendation 5 so that the information was available to everyone, not just the CBG. With regard to the other recommendations relating to the development of the budget summary sheets, there was a need to look at what could be done in the short term and what would need to be done to improve management information systems in the longer term; the Portfolio Holder considered that the CBG's work would be helpful in drawing up the specifications for new systems.
4. The Portfolio Holder also responded to some of the other issues raised by the CBG. In particular, he agreed that the cost per dwelling would be a more useful and meaningful ratio for the cost of services, but suggested that cost per service user would be more difficult to define, although it was worth exploring.
5. There was some discussion of how the work of the group would be taken forward and their involvement in the budget for 2006/07. It was noted that the pilot group had recommended that future CBGs be involved in monitoring the current year's actuals before being required to start work on the following year's budget.

6. The pilot Community Budget Group having been thanked for all their hard work, it was **RESOLVED:** That (1) the findings of the pilot Community Budget Group be noted; and **(2) the report be referred to Cabinet for consideration.**

**FOR CONSIDERATION**

Background Documents: Report to and Minutes of the Overview and Scrutiny Committee meeting held on 26 April 2005

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