



Audit and Standards Committee Report

Report of: Executive Director of Resources

Date: 14 September 2017

Subject: Approach to budget and business planning

Author of Report: James Henderson, Director of Policy, Performance and Communications

Summary: This report provides members of the Audit Committee with an overview of the Council's current approach to budget and business planning, and sets out the proposed approach to the next planning cycle.

Recommendations: It is recommended that the Audit Committee:

- a. Note the Council's approach to budget and business planning described in this report
 - b. Comment on the proposed approach for the next planning cycle
-

Background Papers: None

Category of Report: Open

Statutory and Council Policy Checklist

Financial Implications
NO
Legal Implications
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community Safety implications
NO
Human Resources implications
NO
Property implications
NO
Area(s) affected
None
Relevant Cabinet Portfolio Member
Councillor Olivia Blake, Cabinet Member for Finance
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

Purpose

1. This report provides members of the Audit Committee with an overview of the Council's current approach to budget and business planning, and sets out the proposed approach to the next planning cycle.

Background

2. The Council is required by law to set a balanced budget for the forthcoming year; following a recommendation of Cabinet, this is approved by a meeting of Full Council that takes place in the March before the start of the new financial year.
3. As members of the committee will be aware the financial position of the Council remains challenging, caused by a number of years of reductions in the grants provided by central government, and increasing demand for the services we provide. This has meant that Members have had to make difficult decisions to reduce the level of funding allocated to some services. At the same time, it is also important that the organisation invests strategically in those initiatives that will support its continued sustainability and effectiveness in the future. It is important that the processes of budget and business planning are undertaken in an integrated and prioritised way, in order that the imperative of setting a balanced budget supports (rather than hinders) longer terms planning and decision making.
4. The planning process, both for the immediate year ahead, and in the longer term, has therefore assumed an even greater significance for the Council, necessitating a careful and deliberate approach that is based on making decisions aligned to the overall priorities set by the administration.
5. The Council's approach to budget and business planning has evolved in response to the changing threats and opportunities that the organisation faces. The Audit Committee has previously been made aware of the outcomes-based methodology that the council has used. Although now described in slightly different terms, the broad principles remain. These can be summarised as follows:
 - a. Establish the overall broad outcomes that the organisation wishes to achieve over a multi-year time period (usually 3-5 years)
 - b. Within each outcome area, identify the key metrics of success, and the milestones and objectives that will contribute to achieving successfully the overall outcome
 - c. Identify the enabling features that need to be in place to deliver the above – this will include financial resources, workforce, technology and systems, partnerships etc. In parallel, develop and refine a clear

understanding of the key issues facing the Council that the plan needs to be able to respond to (e.g. the financial position, as described in the Medium Term Financial Analysis)

- d. Individual services develop plans based on the contributions that they can make to the overall organisational outcomes, as well as identifying specific risks, opportunities or pressures for their areas. These should be aggregated and considered as part of a wider plan for each outcome, allowing potentially difficult and complex prioritisation decisions to be taken by Members.
 - e. Based on all of the above, budget proposals developed for consideration by Members in line with the overall plan, taking into account specific pressures.
6. Ideally, savings proposals should focus on those areas of the council's business that have least impact on delivering the outcomes defined at a. above. However, the extremely challenging nature of the financial position means that this is not always possible. Notwithstanding this, we seek to avoid putting forward proposals to Members that would have a negative impact on the longer term ambitions of the Council.
7. Similarly, ideally, budget planning should take place over a timescale commensurate with the achievement of the outcomes. In practice this has proved difficult to achieve because of the scale of the cuts that the organisation has had to make, and because of the lack of certainty from Government about the year on year reductions.

Current Position

8. The Council is due to embark upon a new planning cycle with the expiry of the current Corporate Plan in 2018. This will redefine the overall ambitions of the organisation, and will provide the basis for planning for the period ahead.
9. The precise approach to developing a new corporate plan is yet to be determined, but inevitably it will need to focus on Member priorities within the three overarching domains of the Council's work in the city – economy; housing; and health and care (including both adults' and children's). These are all areas where there is either significant opportunity or it is known that there will need to be a change in focus to respond to changing circumstances (particularly demand increases in social care services). It will also need to identify any known issues which will need to be resolved over its lifespan.
10. The new planning approach will also need to clearly identify where the major areas for change are going to be, and what these will mean financially (savings expected and investment required), for the workforce (what skills and

capabilities will our staff need), and for our underpinning technology and systems. Critically, it will also seek to set out how this will improve outcomes for the people of Sheffield and the experience they have of our services.

11. Once the core change areas have been identified – and we would expect that there should be no more than 15-20 of these – then our budget and other plans for future years should flow directly from them. As ever, it will remain important that, in line with our legal duties, we continue to consult with the public on our plans and proposals, and that we properly and fully consider any equality implications. This will allow Members to continue to make well evidenced and well informed decisions and ensure that Sheffield people continue to receive high quality public services.
12. It will be important that progress on the plan is properly monitored and reported, so that new emerging issues can be identified, and any slippage rectified. Reporting will be to Executive Management Team and Cabinet.
13. The approach described above will not negate the likelihood of extremely difficult decisions having to be made over the next few years. But, if properly implemented, it will enable the organisation to be confident that the decisions that it is taking are in support of the agreed long term ambitions.

Recommendations

14. It is recommended that the Audit Committee:
 - a. Note the Council's approach to budget and business planning described in this report
 - b. Comment on the proposed approach for the next planning cycle

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