

AUDIT & GOVERNANCE COMMITTEE - 23 APRIL 2014

BUSINESS STRATEGIES – ARRANGEMENTS IN PLACE FOR IMPLEMENTATION

Report by the Chief Finance Officer

Background

1. In February 2014, as part of agreeing the budget for 2014/15 and Medium Term Financial Plan to 2017/18, Council also agreed new Directorate Business Strategies for 2014/15 to 2017/18. The business strategies set out how directorates will meet the savings reflected in the Medium Term Financial Plan (MTFP).
2. The business strategies for 2014/15 to 2017/18 are the second of such plans and build on the previous strategies for 2011/12 to 2014/15. The business strategies both drive and are driven by the priorities set out in the Corporate Plan and determine the performance management framework.
3. Over the period 2010/11 to 2013/14, savings of £170m have been delivered. However, further government grants reductions; restrictions on council tax increases and new service pressures all put further pressure on the council's budget. As a consequence of the revised financial outlook further savings amounting to £95m need to be achieved over the period 2014/15 to 2017/18. Of this, £64m was agreed as part of setting the 2014/15 – 2017/18 MTFP in February 2014 and £31m was agreed as part of the previous MTFP agreed by Council in February 2013.
4. Annex 1 sets out the pressures and savings totalling £64m as contained in Section 2.3 of the Business Strategy and Service & Resource Planning report to Council in February 2014.
5. This report sets out the governance and monitoring arrangements which are in place to ensure that the savings sets out in the business strategies will be achieved.

Chief Finance Officer's Statutory Report

6. Section 25 of the Local Government Finance Act 2003 requires that when a local authority is agreeing its annual budget and council tax precept, the Chief Finance Officer must report on the robustness of the estimates as well as the adequacy of the proposed financial reserves.
7. In my report I confirmed that the budget addressed the estimated reduction in funding and expenditure pressures over the next four years

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setting out a plan to ensure that the Council could deliver services within estimated available resources. I also commented that the savings plan would require close monitoring to ensure it is delivered on time but that it set a clear direction for the future, placing the Council in a sensible position to meet the challenges ahead.

8. Achievement of the savings plan was one of the financial risks I referred to in relation to the budget. I commented that the Council has a good track record of successfully delivering significant savings but noted;

“with a further £95m of savings to be achieved over the next four years these additional savings could be more difficult to deliver. Unlike previous years’ there is only a very limited amount of money in the Efficiency Reserve to pay for redundancies and for the costs of transformation. There is a risk, if these costs cannot be met from within existing budgets that they will need to be the first call against the savings, pushing back the timing of achieving the savings. In addition, [as set out in paragraph 14 above] there is a cash flow shortfall based on timing of the savings plans. It will be important to monitor the delivery of the savings carefully during the year and to review the cash flow position as part of the Service & Resource Planning process next year.”

Delivering the Business Strategies – reporting & governance arrangements

9. The agreed approach to monitoring the delivery of the business strategies builds upon the existing framework set up to monitor delivery of the original strategies.
10. Deputy Directors (Tier 2) are accountable for delivery of the savings within the business strategies. A Tier 3 officer responsible for leading on the delivery of each saving will also be identified.
11. Reporting arrangements for the original business strategies focused solely on the financial aspects; the proposal now is to provide a more holistic view of the success of strategy delivery with enhanced support and challenge to directorates from the corporate policy team as they work to deliver their budget savings. The approach proposed is based on two key principles:
 - a focus on ensuring that savings in later years remain on track for delivery;
 - a light touch approach, based on directorate ownership and exception reporting.
12. Corporate finance and policy staff from within the Chief Executive’s Office are working with directorates to populate a spreadsheet tool, which brings together information for each directorate including the current status in terms of savings delivery, the key milestones, the decision making group or board for the required milestones, and a milestone achievement rating. The tool is expected to be fully populated by end of May 2014.

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13. The process also encompasses the work being done to support related consultation work for each budget line and the relevant sensitivity rating. The monitoring of savings delivery would then focus on those budget lines that have a higher sensitivity rating.
14. Major programmes are managed through the major programmes team that is located in Environment & Economy directorate but that provides support across the council. Progress and issues arising from major programmes are reported to the County Council Management Team (CCMT). Where a savings plan is being delivered as part of a major programme, the monitoring process will reflect this, creating a high level view of whether the programme milestones are being achieved across the piece.
15. Directorates will own the tool and use it to gain assurance of the overall success of their business strategy delivery at their leadership team meetings. Directorate Finance Business Partners and Directorate Policy Leads will work with directorates to ensure the tool is kept updated.
16. At the end of each quarter, directorates will submit their updated monitoring tool centrally along with the rest of their regular performance information highlighting any areas of concern.
17. These quarterly returns will be used to create an overview summary which will be considered by the Chief Executive's Leadership Team and form the basis of further discussion with Deputy Directors and Directors at the CCMT led performance sessions. Where necessary, issues will then be escalated to CCMT on an exception basis.
18. Bi-monthly business strategy delivery meetings are also already held between the Chief Finance Officer, the Head of Policy and each of the Deputy Directors. These focus on the progress of the delivery of savings. The tool will form a basis for discussion at those meetings, offering the opportunity to create an early warning of any difficulties in the delivery of the business strategies.
19. In addition to setting out how the directorates will meet the savings reflected in the MTFP, the business strategies also include directorate services and priorities, how services are changing and how performance is managed. This more general business strategy delivery is monitored through the consideration and challenge of the Directorates performance through the balanced scorecard via CCMT, Performance scrutiny Committee and Cabinet.

RECOMMENDATIONS

20. **Audit & Governance Committee is RECOMMENDED to:**
 - (a) **Comment on the proposed arrangements for monitoring the delivery of the Business Strategies;**

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- (b) Agree that a progress report should be brought to the committee on a six monthly basis.**

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Background papers: Council 18 February 2014 – Item 8

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