

**THE BUSINESS PLAN PROCESS AND THE SCHEME OF FINANCIAL MANAGEMENT**

*To:* **General Purposes Committee**

*Meeting Date:* **20 May 2014**

*From:* **Chief Finance Officer**

*Electoral division(s):* **All**

*Forward Plan ref:* **Not applicable**      *Key decision:*      **No**

*Purpose:*      **This report sets out the Business Planning process and proposed timetable for the forthcoming year. It also identifies the role that the General Purposes Committee will have in the Business Plan setting process for 2014/15 and the responsibilities of the Committee in delivering the current Plan as set out in the Council's Constitution.**

*Recommendation:*      **It is recommended that the Committee:**

- a) approves the provisional Business Plan timetable for 2014/15;**
- b) notes the responsibilities that it has in both the Business Plan Setting Process and the on-going delivery of the Plan; and**

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## **1. BACKGROUND**

- 1.1 The Business Plan is approved by the Council in February of each year. The Plan sets out the strategic objectives, financial resources and performance targets for the following financial year. The budget element of the plan sets out cash limits for services for the next five years and is adjusted annually to take account of demography, inflation, and grant changes as well as any additional service pressures.
- 1.2 It is an integrated plan that should link resource allocations with the Council's key priorities and should reflect performance levels with these revised resource levels. Since the Government commenced on a long-term programme of austerity measures the process has understandably focussed on where and how savings will be achieved. Cash limits are allocated within four service blocks and are updated for changes in resource requirements but these changes are allocated on the existing cash limit proportions.
- 1.3 The approach adopted by the Council is straight-forward and relatively transparent. Some other councils adopt an approach that reviews savings opportunities on a council wide rather than a service by service basis.
- 1.4 Both approaches have benefits and disadvantages and to date the Council has always produced a balanced and robust set of budget proposals. As the delivery of future savings becomes increasingly more difficult to achieve the Council might want to consider a mix of approaches.
- 1.5 The General Purposes Committee (GPC) has a key responsibility in ensuring that there is adherence to the corporate Business Planning process before the final recommendations are considered by Full Council and for ensuring the Business Plan is delivered once it has been agreed. This report summarises those responsibilities.

## **2. MAIN ISSUES**

### **General Purposes Committee's Role in Business Planning**

- 2.1 As mentioned above the responsibility for setting the budget and agreeing the Business Plan sits with Full Council as this is a function reserved to full Council. The General Purposes Committee has two roles however in this process:

#### **a) As a service committee**

GPC is responsible for overseeing a number of service activities in the same way as the other service committees. It will therefore have to consider and agree the operational budgets and savings proposals appertaining to those services.

The service responsibilities of the GPC cover the following service areas: -

- LGSS Managed Budgets (IT, Insurance, County Farms etc.)
- Corporate Services (Communications, Transformation etc.) non-LGSS.

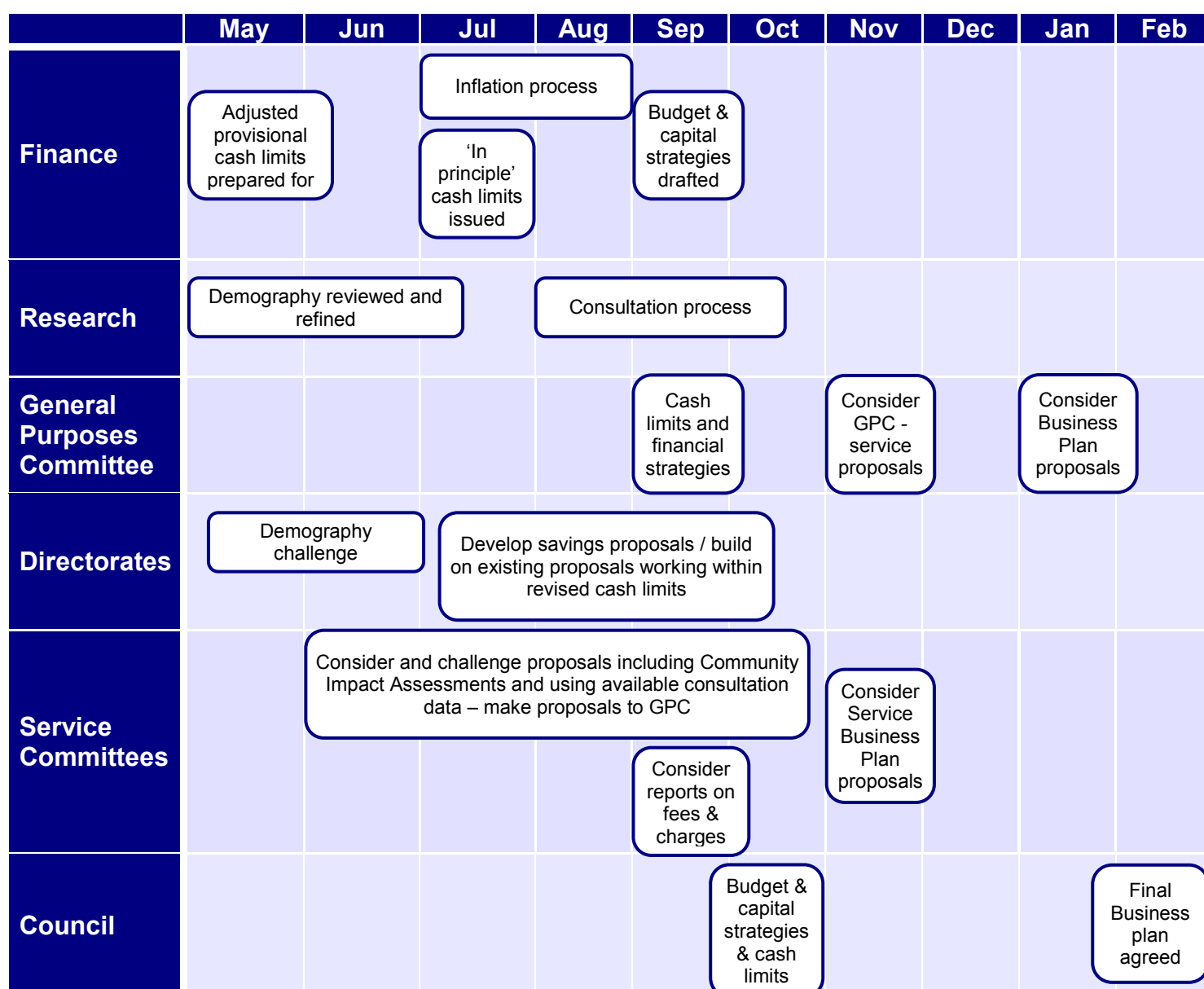
#### **b) As a strategic overview**

Whilst responsibility for the setting of cash limits and agreeing of budgets rests with Full Council there is a role for GPC to act as a custodian or gatekeeper to ensure that a collective approach is adopted to the development of budget proposals and other issues associated with the Business Plan process. Membership of the GPC will enable challenge and facilitate consistency across the service committees in a forum that is less formal than the Council Chamber.

### **The Business Plan Timetable**

- 2.2 Members may recall that for the 2013/14 Business Planning Process the target dates were brought forward in the calendar to facilitate a more robust engagement with scrutiny committees and to assist in the development of alternative budget proposals.
- 2.3 Whilst some issues that can be improved upon have been identified from a review of last year's process, on the whole it proved to be more effective and engaging than in previous years. That momentum will be maintained again for this year and the new committee system will provide both challenges and opportunities to support this.
- 2.4 The Business Planning process is a rolling process that covers a five year financial planning horizon. Set out below (Fig 1) is a high level summary of the timelines for the forthcoming annual process. Given the democratic changes that came into effect in May the proposed timeline may be subject to minor variations.
- 2.5 Activities in the timeline have been attributed to the relevant service leading that activity or the democratic point of consideration. All of the activities will in practice however be approached as an integrated corporate programme of activity.
- 2.6 As can be seen from the timetable, the point at which the Council considers and agrees the Medium Term Financial Strategy is being brought forward in the process. This will ensure that both the financial framework and the associated provisional cash limits are agreed in the early stages of the planning process rather than right at the end of it. A more detailed explanation of how the Business Plan is updated to take account of annual variations will be provided to this Committee at a future meeting.

Fig 1.



### The Constitution and Scheme of Financial Management

- 2.7 Whilst Full Council has the responsibility for the setting of the Business Plan and the associated revenue, and capital budgets, in-year monitoring of progress against the financial and operational plans set out in the Business Plan rests with the General Purposes Committee. The extent of this responsibility is set out in the Constitution Part 4.3 (Budget Policy Framework):

“The Council will be responsible for the adoption of its budget and policy framework as set out in Article 4. Once a budget or a policy framework is in place, it will be the responsibility of the General Purposes Committee to implement it.”

- 2.8 The General Purposes Committee will discharge this responsibility to a large extent through the service committees who will receive regular monitoring of progress against the agreed plans both financial and operational. This will be at a detailed service level and the exact nature of financial and performance

monitoring information provided will evolve based on the needs of those committees. A summary of this information will also be considered by the General Purposes Committee in order that a corporate organisational overview can be maintained.

- 2.9 This approach is re-inforced within the Constitution within the financial control element: -

“Where a committee wishes to take a course of action which has financial implications contrary to the advice provided by the Chief Finance Officer, the Chief Finance Officer may submit a report to this effect to the General Purposes Committee.”

- 2.10 The Business Plan sets out a detailed financial plan of the resources allocated by the Council for the delivery of individual services. Given the number of potential variations to the financial forecasts within the Business Plan the only certainty will be that the outturn will vary from the agreed Plan. Service committees will therefore play a vital role in the on-going monitoring of actual activity against the profiled estimates.

- 2.11 The Constitution is quite clear that variations to the agreed policy and financial resources allocated as part of the Business Plan rests only with the Council subject to the agreed virement rules.

“If any of these bodies or persons wishes to make a decision which is contrary to the policy framework, or contrary to or not wholly in accordance with the budget approved by Full Council, then that decision may only be taken by the Council”

- 2.12 There will however be occasions when the projected level of resources allocated to individual services within the Business Plan becomes out of line with the actual level of resources agreed by the Council. This could be as a result of a plethora of different issues such as additional demographic pressures, price inflation, or the inability to deliver the savings anticipated. It is the responsibility of Service Committees to ensure that they operate within the resources allocated by the Council.

- 2.13 To avoid the business of Council becoming bogged down with a multitude of minor budget variations the Council has a scheme of virement rules that facilitate the efficient operation of the Council whilst ensuring this flexibility does not materially alter the budgetary and policy framework agreed by the Council as part of the Business Plan.

- 2.14 A virement enables the transfer of a budget allocation from one service area to another and therefore a clear set of rules has been established within the Scheme of Financial Management para 7.4 to 7.6 for smaller sums delegated to the Chief Finance Officer and within Part 4.6 of the Constitution for larger items. An excerpt of the relevant part of the Constitution that deals with virements is attached as an **Appendix** to this report.

- 2.15 The Constitution further enforces the on-going responsibility that the General Purposes Committee has on the delivery of the Business Plan through section 4.6 (3) where it sets out in summary terms, a set of financial control requirements.

“Subject to the above virement rules, the General Purposes Committee is accountable to the Council for ensuring there is no overspend on the four budget blocks.

The General Purposes Committee shall publish regular reports showing significant virement actioned and projected year-end spending compared to the approved budget.”

- 2.16 The virement rules operate within four defined service blocks: -

- Children Families and Adults
- Corporate Services and LGSS Managed Budgets
- Public Health
- Economy, Transport, and Environment Services

This approach follows the organisational structure and has operated successfully for a number of years. With the advent of the committee structure it is likely that there will be occasions where a virement is requested that straddles two service committees. It will be for General Purposes Committee to agree to such requests.

- 2.17 There are further refinements that are required to the entire Scheme of Financial Management to reflect not just changes to the new democratic arrangements but to other organisational changes. A further more detailed report will be provided to a future meeting of this Committee for consideration.

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **3.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **3.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

There are no significant implications within this category.

#### **4.2 Statutory, Risk and Legal Implications**

There are no significant implications within this category.

#### **4.3 Equality and Diversity Implications**

There are no significant implications within this category.

#### **4.4 Engagement and Consultation Implications**

There are no significant implications within this category.

#### **4.5 Localism and Local Member Involvement**

There are no significant implications within this category.

#### **4.6 Public Health Implications**

There are no significant implications within this category.

<b>Source Documents</b>	<b>Location</b>
The Council's Constitution	<a href="http://www.cambridgeshire.gov.uk/info/20050/council_structure/288/councils_constitution">http://www.cambridgeshire.gov.uk/info/20050/council_structure/288/councils_constitution</a>
Scheme of Financial Management	<a href="http://www.cambridgeshire.gov.uk/site/scripts/google_results.aspx?q=scheme+of+financial+management">http://www.cambridgeshire.gov.uk/site/scripts/google_results.aspx?q=scheme+of+financial+management</a>

## **Virements**

The budget framework will be expressed in four blocks of Children, Families and Adults; Corporate Services and LGSS Managed Budgets; Public Health; and Economy, Transport and Environment Services.

The General Purposes Committee may authorise:

- (a) unlimited budget virement within each block provided there is no change in the approved budget framework of the Council;
- (b) budget virement between blocks up to a total in any one year of 1% of an individual block provided there is no change in the overall approved budget framework of the Council.

The Council must determine virement within or between blocks associated with a change in the overall approved budget framework.

Exceptions for which virement approval regulations do not need to be adhered to are:

- When the purpose for which the funding will be used has not changed
- Following a pre-approved decision incorporated into the Business Plan as the result of a decision by the appropriate committee or by Full Council.

Where the Chief Finance Officer considers that any proposed virement causes a variation to existing policy, s/he may require the Executive, Corporate or Service Director to present a report to the General Purposes Committee setting out the reasons for the virement.

An Executive, Corporate or Service Director may incur expenditure which is essential to meet any immediate needs created by a sudden emergency, subject to this action being reported immediately to the Chief Executive and the Chief Finance Officer, and to the next General Purposes Committee.

The current virement rules are structured around the operational delivery of services i.e. the officer structure. This approach will need to be kept under review whilst the new committee system evolves as there are some practical issues that could arise of movements within the same block that cross service committee responsibilities.

This would be quite significant alteration to the existing framework and therefore the full implications would need to be considered before any change could be proposed. It is therefore recommended that a watching brief be undertaken at this point and the committee system be given time to settle before any further assessment is undertaken on this issue.