

Business Plan for Financial Management and Business Effectiveness Unit - May 2011 to 30 September 2013

1. Introduction

1.1 The Service's key responsibilities are:

- The achievement of proper and effective financial control, governance and other financial management arrangements for the Council's key activities consistent with the requirements of s151 of the Local Government Act 1972
- Strategic support to the delivery of the Council's key priorities through effective budget management, medium term financial planning, improved business effectiveness and an affordable capital strategy
- Compliance with external financial management and accounting standards including International Financial Reporting Standards, Treasury Management functions and Pension Fund management requirements
- Co-ordinating delivery of the Value for Money strategy and efficiency agenda to ensure available resources are directed towards key priorities which deliver improved services for the local community
- Working with the Resident Information and Consultation team to deliver an effective budget consultation process for residents, staff, partners and other stakeholders
- To support the council in managing its activities to achieve corporate priorities, service objectives and statutory duties in an efficient and effective manner
- To lead in forecasting the future needs of the Island community and the potential demand on resources
- To support the council and its partners in understanding the impact and outcomes achieved by services and activities.

1.2 National Context

- The framework for local authority financial management and reporting is established by a combination of statutory requirements set by Government, best practice guidance and local assessments set by the Audit Commission, and professional standards and codes of practice set by the accountancy profession, particularly the Chartered Institute of Public Finance and Accountancy (CIPFA) for public sector authorities. Statutory requirements are set out in various Local Government Acts, in particular Section 151 of the Local Government Act 1972, Section 114 of the Local Government Finance Act 1988 and the Accounts and Audit (England) Regulations 2003, as updated by subsequent amendment regulations
- Local authority financial management arrangements must be viewed in the context of the Spending Review announced on 20 October 2010, reducing resources throughout the four year Spending Review period and beyond, achievement of value for money, improved transparency and the need to reduce back office costs. The Government are undertaking a

Local Government Resource Review, in particular Formula Grant allocations and the National Non Domestic Rates (NNDR) collection and distribution methodology, for implementation in 2013/14

- The Government are also implementing a scheme to Localise Support for Council Tax, effective from 1 April 2013, and are consulting on plans to reform the benefits system and introduce a new Universal Credit with phased implementation from October 2013, each of which will have an impact on the resources available to the Council
- The service is a member of the CIPFA Benchmarking Clubs for Accountancy Services and Treasury Management activities to allow comparison with other local authorities, identification of trends and further analysis of areas where activities might be improved or costs reduced
- The 2011 [Memorandum from CLG regarding the audit and inspection of local authorities](#) outlines how the Government is taking forward the establishment of a new, more localised, audit regime for local public bodies, and the underlying principles on which the Government believes any such regime should be based.
- The 2011 [Localism Act](#) details a number of new powers that may impact the Financial Management service. The general power of competence and the community right to bid may require financial evaluation of community assets for 'social value' and the community right to challenge ensures there will continue to be a requirement to place more performance information in the public domain in an accessible and readily comparable format.

1.3 Local Context

- The report of the Chief Executive to Cabinet on 7 December 2010, entitled Council Organisation: Future Shape and Direction, sets out key principles and a framework for changes in the way the Council delivers services over the next few years. The budget strategy and medium term financial plan approved by the Council on 29 February 2012 reflects those changes
- For the Financial Management service the overarching priority is to support delivery of the budget strategy, and underlying budget savings, through changed service provision underpinned by the following key principles:
 - the Council will actively pursue the opportunities created by partnerships to commission or deliver services, particularly those that engage local communities and use available resources in a more coherent and efficient way
 - the Council will only directly provide any commercial/trading undertaking or activities which have a robust business case (reflecting the true costs) and have little or no residual cost to the Council, with the Council achieving the 'best return' for its investment
 - all areas of statutory duty to be subjected to robust challenge to ensure that the investment in resources is at the appropriate level, following a reasonable needs assessment, to ensure our responsibilities are met adequately
 - central support services will be reduced on a pro rata basis over time to reflect the changing shape and size of the organisation and, where appropriate, will be subject to market testing and/or joint working with other local authorities
 - there will be less resources, leading to fewer buildings and fewer staff

- the Council will raise income through charging to sustain discretionary services
- The revised Corporate Plan 2011-13, as agreed at 15 June 2011 Full Council, sets out the vision and key priorities for the authority. It is the role of the Business Effectiveness Unit, as part of Financial Management, to co-ordinate Cabinet/Overview and Scrutiny reporting of performance, risk and financial position against the revised priorities on a quarterly basis and to ensure that business intelligence enables effective decision-making and supports the delivery of outcomes that meet resident need.
- The Financial Management team will also be directly supporting the Public Health transition project both with budget allocation & monitoring and the development of effective reporting of the Public Health Outcomes Framework.

All the above activities are carried out with due consideration being given to the nine protected characteristics under the Equality Act 2010 (which are age; disability; gender reassignment; marriage/civil partnership; pregnancy/maternity; race; religion/belief; sex and sexual orientation) in accordance with the public sector duty in the exercise of its functions to give due regard to the need to eliminate discrimination, harassment, victimisation and any other prohibited conduct; advance the equality of opportunity and to foster good relations between people. For changes to strategy, policy or service delivery/redesign, an equality impact assessment will be undertaken and can be supported by relevant statistical/demographic data from the Business Effectiveness Unit.

2. Key Business Objectives

Number	Business Objective	Linking to Corporate Priority or Directorate Plan
1	That the Medium Term Financial Strategy (MTFS), Medium Term Financial Plan (MTFP), Capital Strategy and Business Effectiveness Framework are clearly linked to the Corporate Plan and closely aligned to other key plans and strategies to demonstrate budgets support the delivery of corporate priorities	Delivery of budget savings through changed service provision
2	The Council's performance in terms of achieving business effectiveness and value for money is actively owned within services and improved, leading to better economy, efficiency and effectiveness of the services provided to local residents	Delivery of budget savings through changed service provision
3	Financial governance and financial management standards are improved and the Council fulfils its role as the steward of public funds, including transparency of records, and is able to demonstrate the use of available resources to deliver key services to the local community	Delivery of budget savings through changed service provision
4	Development of improved and timely financial information and business intelligence data to: <ul style="list-style-type: none"> • inform key decisions • support change management • support the development of future options for a sustainable organisation (in particular from 2014/15) • support the achievement of more efficient methods of service delivery 	Delivery of budget savings through changed service provision

3. Key Business Objectives Details:

Key Business Objective 1: That the Medium Term Financial Strategy (MTFS), Medium Term Financial Plan (MTFP), Capital Strategy and Business Effectiveness Framework are clearly linked to the Corporate Plan and closely aligned to other key plans and strategies to demonstrate budgets support the delivery of corporate priorities

Key Activities to support the objective	Success Factors by 30-9-2013 (or completion date of activity)	Position as at 31-3-12
1. Medium Term Financial Strategy and Medium Term Financial Plan	Robust and sustainable MTFS and MTFP in place which match the Council's corporate priorities to the reduced resources available, and prepares for the results of the Local Government Resource Review to be implemented in 2013/14	Updated MTFS in place linked to corporate priorities which identifies the ongoing savings requirements currently required and that additional reductions will be required in future years as a result of resource limitations
2. Capital Strategy	Robust and sustainable Capital Strategy in place which matches the Council's investment plans to the reduced resources available, both capital and revenue	Capital strategy in place for the medium term which focusses investment on key priorities within existing resource limits
3. Business Effectiveness Strategy and Framework	Development of an integrated framework for the Council – including communications and implementation plan	Supporting policies and strategies have been completed, production of a revised framework to be delivered in 2012/13
4. Corporate Plan	Development of an effective Corporate Plan which sets the Council's key priorities and is aligned to other strategies and plans	2011-13 Corporate Plan is in place and eight strategic priorities have remained unchanged for 2012/13. Unlikely to see a refreshing of the Corporate Plan until post election (Summer 2013)
5. Budget Management	Robust budget management processes in place to identify potential budget pressure areas at an early stage and ensure action is taken to contain overall spend within available resources	Regular budget reports to Cabinet and Service Boards to identify problems at an early stage. Positive results in 2011/12 with savings targets exceeded and a net underspend of £1.8m predicted

Risks

Insufficient financial resources

Reserves and balances – over reliance to support the budget strategy could mean that these reach dangerously low levels

Performance Measures

Percentage (%) of predicted revenue outturn (net cost of services) compared to budget

Value of cumulative capital expenditure compared to profiled budget (£m)

Percentage (%) forecast revenue income (fees and charges) compared to budget

Number of services with completed business plans

Key Business Objective 2: The Council's performance in terms of achieving business effectiveness and value for money is actively owned within services and improved, leading to better economy, efficiency and effectiveness of the services provided to local residents

Key Activities to support the objective	Success Factors by 30-9-2013 (or completion date of activity)	Position as at 31-3-12
1. Value for Money Strategy	Value for Money Strategy in place which assists delivery of services to residents and supports benchmarking a comparison with other organisations	Value for Money Strategy approved in 2011. Associated action plan under review in light of restructuring and reduced resources. Revised action plan to be agreed and implementation rolled out in 2012/13.
2. Risk Management Strategy	Risk Management Strategy identifies strategic risks to delivery of corporate priorities and a range of risks for each service area, regularly reviewed by Service Boards, Mini Service Board's and Audit Committee	Risk Management Strategy approved in 2011. Strategic risks reviewed and reported to Audit Committee in February 2012. Ongoing risk reviews undertaken by services as part of annual business planning process and linked to business objectives. Project risks reviewed as part of ongoing implementation of Project Management policy.
3. Data Quality Strategy	Data Quality Strategy promotes data management at source and the use of improved data to support key decision making processes	Data Quality Strategy approved in 2011. Ongoing improvements to data quality monitored via service risk management. Spot checking of performance data required by services.
4. Project Management Policy	Project Management Framework in place which supports project delivery in a structured manner, including escalation processes for any project which falls significantly behind the project profile	Project Management policy approved in 2011. Process for reporting overview of project assurance function still in development via Project Healthcheck report, to be formalised via DT from June 2012.
5. Business Effectiveness team, in particular Business Intelligence and Performance Officers (BIPOs), actively engage with service directorates, including provision of escalation reports	Business Intelligence and Performance Officers attend Service Boards, Mini Service Boards and Senior Management Teams as appropriate to disseminate corporate information and receive feedback from service areas	Engagement with services is inconsistent, some fully engaged with support available from BEU, others not. Continuing to build on good working relations where possible. Increasing requirement for EIAs are enabling engagement of Research Analysts.

Risks
Ensure service managers are properly engaged with the need to identify efficiency savings and demonstrate value for money
Ensure the directorate has adequate controls in place to guarantee the quality of the data it provides and uses to manage its operations
Failure to maintain and build the appropriate skills and knowledge for the Business Effectiveness Unit

Performance Measures
Percentage (%) of performance measures updated by 15 th of the month that are due
Percentage (%) of performance measures (on CorStrategy) with completed data quality pro-formas
How embedded is risk management on a scale of 1 (poor) to 5 (excellent) – measured by HM Treasury's Risk Maturity Model

Key Business Objective 3: Financial governance and financial management standards are improved and the Council fulfils its role as the steward of public funds, including transparency of records, and is able to demonstrate the use of available resources to deliver key services to the local community

Key Activities to support the objective	Success Factors by 30-9-2013 (or completion date of activity)	Position as at 31-3-12
1. Statement of Accounts and Annual Governance Statement	Statement of Accounts and Annual Governance Statement compiled each year in accordance with statutory reporting requirements, approved by the Audit Committee, and with relatively few issues identified by the external auditors during the course of the annual audit	Statement of accounts for 2010/11 compiled in accordance with changed reporting standards (IFRS) and approved by Audit Committee on 29 September 2011. Auditors' annual governance report to members provided an unqualified audit opinion and that proper value for money arrangements were in place, and identified eleven recommendations for improvement, ten of which were low and medium priority with only one high priority issue related to testing disaster recovery of IT systems.
2. Pension Fund Accounts and Annual Report	Pension Fund Accounts and Annual Report compiled each year in accordance with statutory reporting requirements, approved by the Audit Committee, and regular reports on Pension Fund activity and investment performance taken to the Pension Fund Committee	Pension Fund accounts approved by Audit Committee on 29 September 2011, Annual Report approved by the Pension Fund Committee on 22 July 2011. Auditors' annual governance report to members provided an unqualified audit opinion and identified six recommendations for improvement, two with high priority and four with low and medium priority
3. Treasury Management Strategy and Prudential Borrowing Indicators	Treasury Management Strategy in place, approved by Council, with regular monitoring reports to Audit Committee	Improved process in place with Treasury Management Strategy now submitted to Audit Committee for assurance prior to being approved by Council. Regular reports on progress with the strategy to Audit Committee during the course of the year

4. Financial Regulations and Financial Procedure Rules	Financial Regulations and Procedure Rules brought up to date to reflect the change in Council business systems, and regularly reviewed to ensure they are consistent with changing budget management and internal control requirements	Financial Regulations have now been brought up to date to be consistent with the changes to the Council's business and financial systems. The updated regulations were approved by Audit Committee on 22 November 2011 and will be subject to annual reviews to ensure they remain current
5. Successfully manage the Internal Audit Contract	Regular meetings with the internal audit contractor to discuss the audit plan, progress with audits and reporting requirements to the Audit Committee	Regular meetings are in place with the internal audit contractor to discuss development of the audit plan and progress with the audits. Robust reporting arrangements are in place to produce draft reports for consultation, final reports with recommendations, and summary reports to the Audit Committee at each meeting

Risks
Ensure that there are adequate controls over the treasury management function
The Council's VAT processes are not sufficiently robust to ensure the accurate compilation of VAT claims and accounting records
Pension Fund accounting and reporting processes need to be reviewed and updated
Maintain appropriate resources to fulfil statutory obligations and adopt up to date processes and procedures to ensure financial management standards are delivered
Ensure the directorate has adequate processes in place to secure the necessary changes to financial accounting and reporting requirements

Performance Measures
Number of significant management points raised by the Council's external auditor in the Final Accounts Memorandum
Number of working days taken to reconcile the Council's bank account to the general ledger
Number of working days taken to reconcile and submit and accurate VAT claim
Percentage (%) of agreed Audit Plan complete by year end
Proportion of recommendations made by Internal Audit implemented by management
Percentage (%) of final audit reports issued where the risk level is 'Low' or 'Medium'
Results of Internal Audit satisfaction surveys (average satisfaction score)
External debt – Authorised limit (for total external debt)
External debt – Operational boundary (for total external debt)

Local indicator - Total amount of external interest payable in year (£000)
Local indicator - Total amount of external interest receivable in year (£000)
Percentage (%) of days where the average balance is between +/- £50,000
Treasury Management - Fixed interest rate exposure - upper limit
Treasury Management - Variable interest rate exposure - upper limit
Treasury Management - Total principal sums invested for periods longer than 364 days (£m)
Affordability - Estimates of ratio of financing costs to net revenue stream
Affordability - Estimates of the incremental impact of capital investment decisions on Council Tax (%)
Average cost of interest on long term debt
Capital Expenditure - Estimates of capital financing requirement (£000)
Number of significant management points raised by the council's external auditor in Pensions Fund Account Memorandum
Prudence - Net borrowing and the capital financing requirement (£000) (the extent of the council's unused borrowing powers)

Key Business Objective 4: Development of improved and timely financial information and business intelligence data to:

- inform key decisions
- support change management
- support the development of future options for a sustainable organisation (in particular from 2014/15)
- support the achievement of more efficient methods of service delivery

Key Activities to support the objective	Success Factors by 30-9-2013 (or completion date of activity)	Position as at 31-3-12
1. Alternative reporting channels for Cabinet members and Overview and Scrutiny Committee	Development of alternative means of reporting key financial and performance management issues to Cabinet and Scrutiny functions, including information on service areas not directly linked to achievement of corporate priorities	Reporting of all CorVu measures by Cabinet Member has been facilitated but there has been a lack of engagement over alternative reporting streams to date. Community Wellbeing and Social Care directorate have put in place quarterly service reviews enabling relevant Cabinet Members to participate in a cross-cutting overview of areas to watch due to underperformance. This process is gaining momentum and has been successful in holding HoS to account for their performance. Continuing to work with Directors and the Cabinet Secretary to develop alternative reporting channels for performance data.
2. Budget Review Board and Budget Savings Strategy	Regular reports to Budget Review Board on progress with delivering the budget savings strategy, detailed budget analyses, staffing monitor, benchmarking information and business intelligence opportunities	Regular meetings of the Budget Review Board took place during the course of the year to consider progress with achieving the savings strategy, associated changes in staff numbers, detailed budget analyses (both objective and subjective) and other business intelligence reports to inform the development of future budget strategies. These meetings of the Budget Review Board, augmented by continuation of the Authorisation Panel and Procurement Board, have contributed towards the Council exceeding the savings target for 2011/12

<p>3. Development of business intelligence function</p>	<p>Reports to Cabinet and Scrutiny function regularly use Business Intelligence data to inform decisions and allow improved scrutiny; IOW Facts and Figures (Observatory) up to date and available for use by residents, partners and Council services</p>	<p>Increasing use of EIA to support decisions has seen an increase in engagement with the BI function. Call over process provides a useful mechanism to identify opportunities for business intelligence to be improved as part of delegated decisions/Cabinet & Full Council reports. IW facts & figures pages on iwight.com are now well populated and web stats are being closely monitored for usage. There are some limitations to formatting of data content which is under review in conjunction with ICT.</p>
<p>4. Development of a more robust and effective Joint Strategic Needs Assessment (JSNA) process, including increased engagement and consultation with key stakeholders, partners and the public</p>	<p>Regular reports to Health and Wellbeing Board and use of the underlying data to inform priorities and decisions. Production of a summary JSNA document for public consultation Effective engagement with service areas and partners (via workshops and joint data collection and collation). JSNA data sets available online via 'Isle of Wight Facts & Figures' web pages</p>	<p>2011 JSNA produced as per requirements set out by Shadow HWB. 'Opportunity to comment' on the JSNA was facilitated online and printed versions made available to help centres and libraries across the Island. Feedback from the public was reported to the HWB. Ongoing updates to IW Facts & Figures will secure a supporting data set for all elements of the JSNA; much of this information is supplied via Public Health Analysts. Going forward, a three year strategic development plan for the JSNA has been drawn up through a JSNA Co-ordinators Group (IWC & Public Health) and will be reported to the HWB. The focus of activity for 2012/13 will be to address data gaps and increase engagement with colleagues across partner agencies whilst the HWB strategy is being formulated.</p>

Risks
Failure to achieve the required impact on the organisation
Failure to support service managers with key budgetary responsibilities

Performance Measures
Value of identified savings (£000s) (cumulative)
Total reserves and balances as a percentage of gross revenue budget
General fund balance as a percentage of total reserves and balances
Average general fund balance as a percentage of net cost of services
General Fund balance at a level sufficient to manage operational financial risks – minimum balance £5m
Percentage (%) of population and other stakeholders responding to budget consultation exercise
Number of IW Facts & Figures web page views
Engagement with and feedback on the JSNA process and consultation
Completion of quarterly reports to Cabinet in accordance with established timetable
Improved quality of recommendations from Cabinet arising from more integrated and timely reports and supporting analyses

OBJECTIVE 5 ACHIEVED AND REMOVED FROM THE 2011-13 BUSINESS PLAN. RISKS AND PERFORMANCE MEASURES HAVE BEEN TRANSFERRED TO OBJECTIVE 4.

Key Business Objective 5: Development of integrated and timely performance, risk, finance and project reports for corporate priorities to demonstrate progress in achieving objectives set out in the Corporate Plan 2011-13

Key Activities to support the objective	Success Factors by 30-9-2013 (or completion date of activity)	Position as at 31-3-12
Quarterly reports to Cabinet based around Corporate Plan priorities	Regular reports to support achievement and performance management of key priorities, including relevant performance, risk and financial data	Quarterly reports to Cabinet based around Corporate Plan priorities have been in place since Quarter 1 2011/12. A review of indicators and budgets aligned to each priority going forward is underway.