

THREE YEAR BUDGETING

Report of:	<i>Strategic Director of Finance and Corporate Services</i>	WARDS AFFECTED ALL
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Lead Member Responsible:	<i>Councillor Hollingsworth</i>	
Overview and Scrutiny Committee Responsibility:	<i>Finance and Performance</i>	
Key Decision:	<i>No</i>	
SUMMARY AND RECOMMENDATIONS		
<p>This paper provides a very brief overview of the benefits of three year budgeting and how it can be linked with the Council's Vision statement and existing business planning process.</p> <p>It is recommended the Executive Board agree to:</p> <ul style="list-style-type: none">• The principle of developing an integrated three year strategic plan and budget.• Officers establishing a detailed timetable for delivery of this objective by the end of November 2002.		

1. BACKGROUND AND BENEFITS

Local authorities have tended to only budget a year ahead. In part this has been because Government only announces external finance for the coming 12 months, and pay settlements are usually for a single year. The result has been a short term planning focus.

This conflicts with the longer-term business planning approach within best value and at worst can mean authorities having to make rushed decisions late in the financial year. Three year budgeting links financial and business planning so that Members and Managers can plan service developments well in advance.

Better long-term financial planning is not a panacea for uncertainty, but it does allow authorities and their partners to be clearer about their direction, and to ensure that in critical times of financial constraint, priority areas are better protected.

Oxford City have already started down this approach with Business Planning by individual Business Units and the Medium Term Financial Strategy. The new Administration have set out their vision for Oxford. The aims in this vision should drive both these processes.

2. STAGES IN THREE YEAR BUDGETING

CIPFA in Scotland developed a planning guide for authorities developing three year budgets. They recommend a five step process of:

Estimating:

- Future Revenue Support Grant settlements and an appropriate levels of reserves.
- Pay inflation and other price changes.
- The cost of likely future government spending priorities.

Planning:

- What can be realistically delivered over the planning period within given financial constraints.
- The resources needed to achieve these aims.
- The effects on revenue and capital budgets.
- The financial and non-financial targets against which progress will be measured.

Aligning budgeting and planning by:

- Having a concurrent timetable for both processes.
- Carefully costing major initiatives and significant shifts in service provision, rather than the full service plan.
- Linking revenue and capital budgeting exercises.

Delivering useable budgets for managers by:

- Having a rolling three year budget - with the first year set out in greater detail.
- Having some simple rules about budget flexibility between years agreed by Members (but only for budgets over which Managers will have control).

- Taking account of ring-fenced external funding, as well as committed and proposed capital spending.
- Being clear about the treatment of inflation.

Reviewing performance through:

- Regular review of spending against budget and performance against business plan.
- Determining the reasons for financial or performance failure - and using these to inform future plans and budgets.

3. A RECOMMENDED APPROACH

The Administration have indicated they wish the budget process to be concluded by the end of November 2002. Oxford City has also just approved a Best Value Performance plan which includes a business planning timetable.

The first stage is to tie the budget and business planning timetables together. An overview timetable, taken from the CIPFA paper, is attached as Appendix A.

THIS REPORT HAS BEEN SEEN AND APPROVED BY

Background papers:

1. Oxford City Council Best Value Performance Plan 2002-3
Oxford City Council
2. Developing a Medium Term Financial Strategy
Oxford City Council
3. Integrating strategic Planning with three year planning
CIPFA Scottish Directors of Finance

APPENDIX

THREE YEAR BUDGETING TIMETABLE

