

Submission No. 7



Brisbane City

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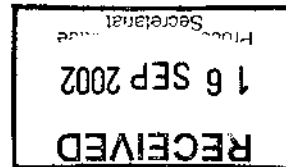
Brisbane City Council

City Governance

69 Ann Street Brisbane Qld 4000
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10 September 2002

The Secretary
House of Representatives
Standing Committee on Procedure
Parliament House
Canberra, ACT 2600



Dear Ms Middlebrook,

Thank you for the opportunity to provide input into your inquiry into the adequacy of procedures for examining the estimates of expenditure within the House of Representatives.

Brisbane City Council is the largest local government body in Australia and faces increasing financial pressures along with rising community expectations to be efficient and effective while maintaining accountable and transparent processes. The strategic planning and budget process is a key part in managing these pressures and expectations.

Please view the attached documentation which outlines Brisbane City Council's current strategic planning and budget process and some of the improvements we have implemented over a number of years.

If you require further information regarding Brisbane City Council's strategic planning and budget process, please do not hesitate in contacting my office.

Yours faithfully,

Jude Munro
CHIEF EXECUTIVE OFFICER

The attached documentation is broken into the following sections.

- Corporate structure,
- Strategic planning and budget process,
- A diagram that graphically represents the activities undertaken and the flow of information throughout the process,
- Performance Management and,
- An extract from Brisbane City Council's Strategic planning and budget guidelines as used for the 2002-06 planning cycle and the 2002-03 budget.

Corporate Structure

Brisbane City Council has a management structure designed to deliver a wide range of services to the community of Brisbane. The organisational structure is broken down into divisions. Purchaser divisions are responsible for the planning and management of Council's programs while provider divisions are responsible for delivery of services to the rest of the organisation and the city.

Brisbane City Council develops its strategic planning and budget through the programs. The strategic plan and budget are fully aligned allowing a consolidated budget view at any level of the planning structure. The consolidated program plans and budget are viewed separately by the Executive (senior management) and the Administration (Budget Committee). The role of senior management is to draft a program plan and budget framework for the consideration of Council's Budget Committee who produce the final version for adoption by the Council.

Strategic Planning and Budget Process

Brisbane City Council produces its corporate plan (the amalgamation of all program plans) and budget on an annual basis. To do this it has developed a process that includes planning, development, evaluation, approval, implementation, monitoring and review. This process is assessed each year to identify whether improvements are required and can be adopted in the following years.

In order to end up with a successful outcome it is critical that any improvements made to the process gain acceptance at all levels within the organisation. Brisbane City Council has addressed this in a number of ways.

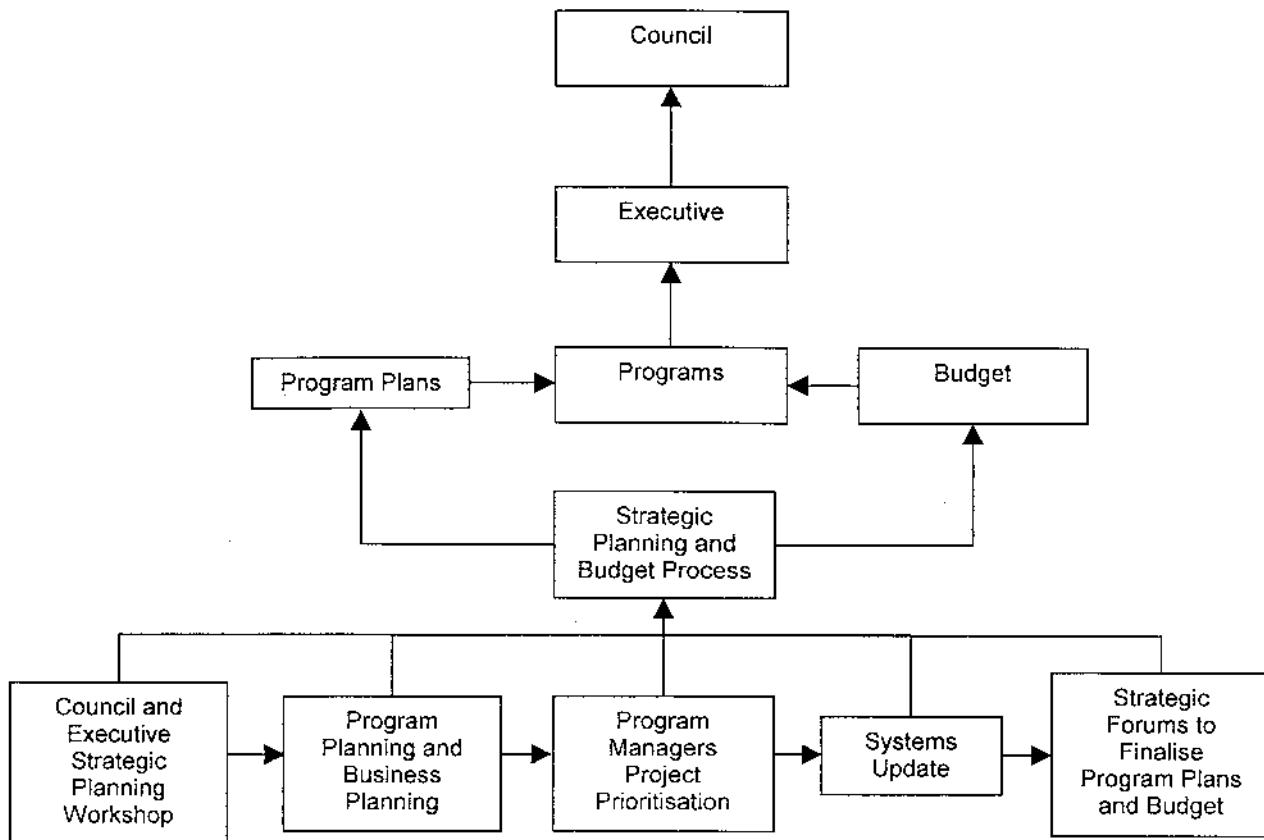
- Corporate planning and budget directions and guidelines are developed in consultation with a wide range of stakeholders before final approval. Guidelines and procedures are well documented and freely available.
- Financial parameters for the budget process are developed early and are widely circulated. All areas can then carry out their own planning and budget development within a similar framework.
- Regular communication providing feedback and an update on individual issues and financial positions, plus a corporate view is provided regularly.
- Recommendations on priorities in areas such as capital expenditure budgets are made by a group consisting of representatives of all programs of Council – ensuring understanding and ownership of outcomes.

These steps are relatively straightforward but they have resulted in an increase in stakeholder confidence in the process and have delivered clearer outcomes that are more strategically focussed.

The other way Brisbane City Council created and implemented improvements in the budget process was by gaining commitment from the organisation's executive. If the benefits can be accepted and behavioural change begun at this level, the possibility of success is greatly enhanced.

The diagram below represents Brisbane City Council's annual strategic planning and budget development process.

Brisbane City Council's Annual Strategic Planning and Budget Development Process Diagram



Council and the Executive combine to conduct an annual planning workshop that identifies major initiatives and key milestones for the following four year period. This is done by assessing Council's current strategic context (where are we now?) and looks at future service delivery needs to set future direction (where do we want to be?).

The organisation takes this strategic platform and develops program and business plans to articulate outcomes and how they are to be achieved.

Over recent years, Brisbane City Council has implemented an evaluation process for project prioritisation. To facilitate this, a formal evaluation criteria has been developed in partnership with stakeholders throughout the organisation. Each criteria scores the project against specific requirements to build a final 'score' that is an objective measure of the value of the project to the organisation. In order to ensure that the final score is not biased toward a particular type of project (eg. infrastructure creation verses community development), the following criteria have been developed:

- The significance of external drivers.
- The link to the strategic plan.
- The level of confidence in project analysis.
- Risk
 - Community
 - Environment
 - Health and Safety
 - Financial.
- What extra value does the project add.

Once the initial evaluation has been completed, a series of meetings attended by all of Council's Program Managers are conducted to establish the final prioritisation of projects. These meetings facilitate discussions on the merits of each project in order to fully appreciate cross program priorities and make recommendations on how they should be funded in order to adhere to the strategic direction. These meetings have been very successful in finding a balance between Council's many activities and, at times, conflicting priorities.

Throughout the process several corporate I.T. systems are continually updated to provide a consolidated corporate picture. Key dates are identified in the timetable when the systems are closed for consolidation.

As mentioned above, a consolidated view of each program is presented firstly to an executive forum where both the program structure and budget are discussed at length in order to present a final view for the consideration of Council's Budget Committee. The Budget Committee then takes its recommendations to a full sitting of the Council for the adoption of both the Corporate Plan and the Budget.

Performance Management

Following the adoption of the corporate plan and the budget, regular assessment in terms of overall performance is undertaken. This is carried out through reporting against program KPIs, monthly variance reporting, monthly project reporting, quarterly statutory financial reporting, quarterly balanced scorecard reporting. The budget is adjusted periodically throughout the year through budget reviews.

Extract from Brisbane City Council's Program Planning and Budgeting Guidelines

Overview

Strategic planning and budgeting helps us to understand our present situation, examine how emerging issues and future trends may affect us, decide how best to manage anticipated challenges and arrive at our preferred future position. It provides Council with a framework for setting priorities and allocating resources for our 11 programs.

Strategic planning and budgeting steps

1. Four step process

- Step 1: Establish Strategic Context - Where are we now?
- Step 2: Set the Strategic direction - Where do we want to be?
- Step 3: Develop and implement the strategy - How do we get there?
- Step 4: Review - How will we know that we are making progress?

This four step process can be applied at a number of levels eg corporate, program, branch. However, because activities are planned and resources allocated by program in Council, this overview focuses on the program planning and budgeting process.

The Program Planning & Budgeting process is cyclic. In other words, the results of Review (Step 4 above) are used to Establish the Strategic Context (Step 1 above) for the next cycle. In Council, this cycle is annual and in line with the financial year, commencing July and running through to the following June.

2. Who should be involved?

Each year, staff from different program areas meet to determine how to work together to achieve the best results for the community. In the 2002-2006 planning cycle the focus of these cross-program discussions has been key 2010 policy initiatives.

Detailed program planning is usually conducted by teams, established by the Program Manager, which include representatives from the following groups:

- Purchasers eg. representatives from other programs
- Providers
- Program planners
- Strategic Change Coordinators
- Budget Liaison Officers
- Other key stakeholders eg. partners, suppliers, customers and other agencies

Establish Strategic Context

Program planning and budgeting teams can use the following techniques to assess their program's current position.

1. Step 1 - Where are we now?

(a) Discuss program achievements and identify areas for improvement eg measures of performance against indicators included in Balanced Scorecards and the Corporate Plan.

(b) Identify customers'/stakeholders' needs and demands.

(c) Identify groups who have a significant interest in the program and what it does. Assess how well their needs are currently met and how their needs may evolve in the future.

(d) Revisit core business activities. Review and discuss the primary functions of the program - the products and services the program was created to deliver, and the outcomes these were intended to achieve. How effective have these products and services been?

(e) Assess the current situation internally and externally by identifying 'Strengths, Weaknesses, Opportunities and Threats' (SWOTs).

(f) Assess the program's internal capabilities as well as the external factors that may have a positive or negative affect on its operations. Describe internal program strengths and weaknesses; identify external opportunities and threats. For further information refer 'Guide to Virginia's Performance Budgeting Process'.

(g) Examine the long term view of Council's financial position, taking into account previous policy and investment decisions. The major inputs are capital investments, rates (revenue) policy and employee cost assumptions. This is prepared by Financial Planning.

(h) Using the material generated through the process described above, identify the critical issues challenging the program.

2. Tools for facilitating Step 1

(a) Council's Corporate Plan or other policy and strategy documents which articulate Council's current commitments and directions (Contact Strategic Planning & Policy unit)

(b) Balanced Scorecard

(c) Ward profiles

(d) Results of program reviews eg. Program Review Group 2001

(e) Reports or papers prepared by other agencies active in your program area.

(f) Results of stakeholder consultations eg consultations with providers, councillors, state or federal government departments, businesses

(g) The Australian Bureau of Statistics for detailed information re demographics, health, economic indicators, building activity and trade

(h) State Government policy statements or reports and papers prepared by other external agencies active in your program area.

3. Step 1 - Process Output

(a) Strategic Issues Analysis

(b) Overview of program effectiveness - strengths and weaknesses

(c) Broad fiscal parameters

Set the Strategic Direction

1. Step 2 - Where do we want to be?

(a) Clarify what Council is aiming to achieve. For example, examine Council's vision for Brisbane in 2010 or look at Council's policy initiatives for 2010 and our corporate strategy as set out in the Balanced Scorecard.

(b) Consider how the program might contribute to the achievement of this vision. For example:
Do the program's goal and desired outcomes reflect Council's new vision?
How might staff from one program area work with staff from other areas across Council (or externally) to achieve common outcomes?

(c) Identify desired results. Ask yourself where do we want to be in the short (1-2 years), medium (4-5 years) and long (9-10 years) term?

(d) Identify key milestones and indicators of achievement for each outcome (see Step 4). Obtain baselines/benchmarks, and set targets.

2. Tools for facilitating Step 2

(a) Many of the tools suggested for Step 1 can be used for Step 2 eg policy and strategy documents.

(b) There are a number of approaches for this aspect of strategic planning. Two good examples are: Guide to Virginia's Performance Budgeting Process and Louisiana's Manageware - A Practical Guide to Managing for Results.

(c) You can also ask a facilitator to guide your program planning team through the strategic thinking process.

3. Step 2 - Process Output

(a) Statement of strategic direction priorities (5-10 years)

(b) Corporate outcomes (link to Program Planning System)

Develop and Implement the Strategy

1. Step 3 - How will we get there?

(a) Having identified the gap between the program's current position and desired future position, program planning and budgeting teams need to determine how to close it. Key questions include:

What should we stop doing?

What should we keep doing?

What should we do differently?

What should we start doing?

For example, a number of 2010 initiatives have been identified for implementation over the next four years. Ask which can be implemented in year 1? How should the others be phased over the 4 year period? What do we have to do in years 1 and 2 (eg. pilot study) to ensure that the desired results are achieved by 2006

(b) Once the strategy has been developed, program planning and budgeting teams submit detailed program plans and budgets for approval using the Program Planning System, PERforM and Budget Plus.

The approved set of program plans and budgets become the Corporate Plan and Budget for the year.

Operational plans, business plans and customer service agreements are then developed to ensure that the corporate plan is implemented. For further information about operational planning see the Operational Planning System.

2. Tools for facilitating Step 3

(a) Use the critical issues identified through your SWOT analysis as a framework for developing your responses (see Step 1).

(b) Generate alternatives by:
using preliminary thinking on 2010 initiatives to identify potential projects
brainstorming using de Bono's Six Thinking Hats or Kipling's Six Honest Serving Men
academic research ie. cutting edge material which may help you to identify new strategies for achieving desired outcomes
identify potential partners

(c) Analyse the costs and benefits of alternative approaches.

(d) Importantly, consider how much you have to spend. For further details of parameters for the 2002-2006 planning/budget cycle contact the Financial Planning Branch.

(e) Use a facilitator to guide your program planning team through the strategic thinking process.

3. Step 3 - Process Output

(a) Program Plans (Program Planning System)

(b) Customer Service Agreements (Customer Service Agreement Guidelines)

(c) Operational Plans (Operational Planning System)

Measuring Progress

1. Step 4 - How do we measure our progress?

(a) Developing indicators

In order to determine whether the strategies developed in step 3 are achieving the desired results, you must develop meaningful indicators of performance (ie outcomes). See below for an extract from "A Strategy Map for Results-based budgeting: Moving from theory to practice" which provides an excellent introduction to this Step.

"Result or outcome - a bottom-line condition of well-being for children, families, or communities. Results are matters of common sense, above and beyond the jargon of bureaucracy. They are about the fundamental desires of citizens and the fundamental purposes of government. The results we are discussing are not "owned" by any single government agency or system. By definition, they cross over agency and program lines. Results include an environment which is 'clean and green', economic development, and inclusive communities."

"Indicator - a measure, for which we have data, that helps quantify the achievement of a desired result. Indicators help answer the question: "How would we know a result if we achieved it?". For example, percentage change in air and water quality, rate of job creation, community perceptions of their participation in community activities."

Guidelines for developing meaningful outcome indicators have been developed by the Strategic Planning & Policy Branch. Contact the Strategic Management Team for more information.

(b) Regular assessment

Once outcome indicators have been identified, they are incorporated into regular assessments of Council's overall performance through the Balanced Scorecard.. Corporate, Divisional and Branch scorecards are regularly updated and available for examination by Divisional managers, program managers and other decision makers online.

Every quarter, the Executive Management Team meets to review corporate and program performance.

2. Step 4 - Process Output

(a) Performance reports (Balanced Scorecards)

(b) Budget reviews

Glossary

Program A program is a grouping of interrelated activities designed to achieve a particular set of outcomes, e.g. outcome relating to the environment.

Balanced Scorecard A measurement system which is wider than traditional financial reporting. Used around the world in organisations with a focus on strategy as a means for making tactical and informed decisions

Goal A clear, concise and positive statement of the aims and desired outcomes of the program.

Program Partner Program partners are groups internal or external to the organisation which are considered to be jointly responsible for achieving program outcomes.

Outcome A broad statement of the desired results (for the community) of a strategy or group of strategies.

Strategy A strategy is an approach (or series of actions) adopted in order to achieve a particular outcome.

Outcome indicator A measurement (quantitative or qualitative) which can be used to determine whether or not an outcome has been achieved.

Performance Management Framework BCC's integrated framework for aligning its Vision, Balanced Scorecards, Programs and Business Plans, and employee incentive schemes.

Target A specification of the standard to be achieved (against each outcome indicator) at the end of a particular period of time.

Service A readily identifiable service or product delivered by the Council to the community in order to achieve a particular outcome.

Level of service A level of service is a measure (or series of measures) of the quantity and/or quality of service delivery (also known as an output indicator).

New initiative New initiatives are activities considered to be additional to "business as usual" which are funded within the base budget.

Service development Service developments are activities considered to be additional to "business as usual" (ie the ongoing provision of services as described in the service description field of the program plan) which require additional funding. Service developments are comprised of one or more PerForm projects.

Service reduction A reduction in the level of service provided to the community.

Related Information

Reference materials:

Guide to Virginia's Performance Budgeting Process

Manageware: A practical guide to managing for results

A Strategy Map for Results-Based Budgeting: Moving from Theory to Practice
Brisbane 2010