

Tying Your Budget to Your Strat Plan

Not the other way around!



And now for a bedtime story...

- At a recent council meeting, one of the councillors demanded that the snow clearing equipment be upgraded as they were embarrassed from last year's season. During the discussion, administration asked "How does the proposed equipment fit into our strategic plan?"
- No one knew the answer!
- Several councillors and administration didn't understand the importance of the question



And then...

These guardians of the public purse had not considered the relationship of their budget to their strategic plan.

They had not considered what might happen if they upgraded equipment to support a product. In other words they did not allocate resources to their strategies, they assumed that the money, people and equipment would happen.....



Sound familiar?



BUDGET CRISIS

"Balancing the check book" claims yet another victim.

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Sometimes we budget and plan for the loudest screams.....which may cause spending on the wrong projects



Understanding Why



Strat planning is so very important – the right way!

We all know that this is Dysfunctional Municipality!

- It's mine
- They aren't smart enough to understand budgeting
- It's easier if I do it
- I love the thousands of budget meetings

- Think about the hundreds of hours spent each and every year...are we really strategic planning?



Where is your strategic plan by Donna Seuss

- Tell me where it is?
- Is it on the shelf?
- In a box?
- In a file?
- Do you think it's in a pile?
- It may be on your desk
- Who knows it's in a mess
- It is ever updated?
- It might be antiquated.....



What the heck is it?



- Your strategic budget is linked with the municipal strategic plan
- The “strat” plan is usually 5 years in length and sets goals
- It develops an annual operating plan to break down those goals into annual goals
- The “strat” budget takes the “strat” plan and displays the categories in quantities
- The budget details the assignment of dollars to each program area including the expenses

What is a Strat Plan?

- You can't budget until you have a working plan
- Your managers need to keep this on their desk and refer to it daily
- Your strat plan is updated when events occur, not because the quarter is over
- Requires management explanations when projections aren't met. We all have to understand the variations from the planned events so we can adjust the plan
- It is a product and a process – management's philosophy of managing with a process



- Reflects Council's leadership visions of the municipalities future
- Had to be shared with everyone, even your vendors so that they know who you are, how you do business so that they can embrace it when they do business with you.
- Each unit has a functional plan that ties into the strategic plan
- It uses a systems approach so that each department can operate together toward a common purpose



- As financial experts, you use it in the reporting system as a way to measure the municipal progress in implementing it
- It contains objectives with specific measurable results that outline exactly what should be done in a given time-frame
- Identifies the how, where, and when of resource commitment to achieve the objectives



Here's the kicker



- You can't do a strat plan unless you know what your customer's needs are
- Then you have to decide what your municipal capabilities are to meet them
- Your role as financial experts is to add your focused expertise where and when it's required as your managers make the plan happen

How Do You Build It?



We all know about the mission/vision thing...

First – understanding your purpose



- What is your municipal purpose?
- You can't budget if you don't know your purpose
- You can plan if you don't know your purpose
- You can't do anything if you don't know your customer's needs

First your customers (taxpayers)



- What do they need?
- What is their level of education and income?
- What are their consumption habits?
- What is your mix of products and services?
- What do the residents of today need and what will they need tomorrow?

Next you analyze your Municipal features



- What is your potential for growth?
- What are your resources and capabilities?
- What staff resource requirements do you need for the plan?
- How will you use those resources in achieving the strat plan goals?

Measuring Programs



How can you budget if you don't know what everything costs?

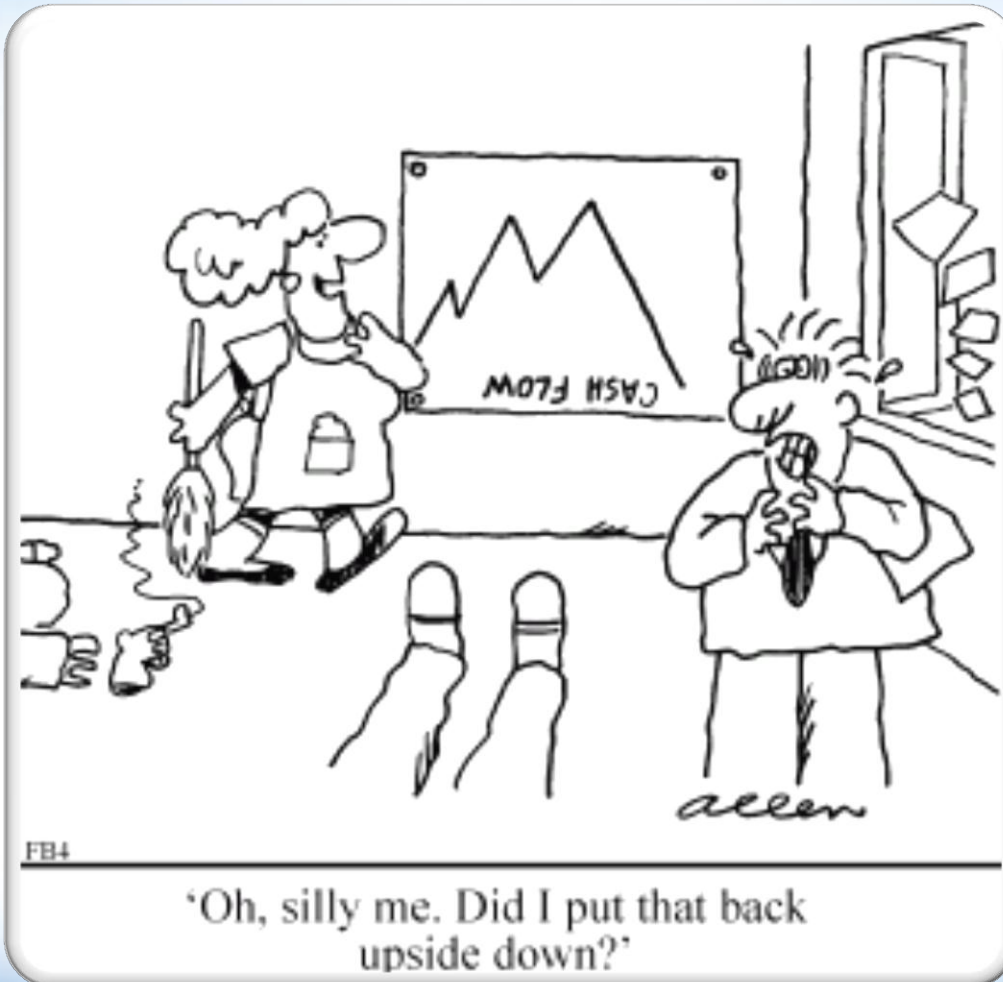
The Program Measurement



- What will be the status of the program at the end of the cycle? Link it back to last year's plans and data
- What are the strengths of the program and what opportunities exist because of the strengths?
- What factors limit progress of the program? What barriers limit future development?
- Is there new equipment required and if so, list it in priority order
- Identify budget changes including activities and expenses from last year that have been deleted in this budget

How do you tie it in?





'Oh, silly me. Did I put that back upside down?'

Is this happening in your Municipality?



- It is essential that the budget follow your plan
- If there is no intention to align resources with the planning process or no mechanism to do so, there is little point to the strat plan
- Staff and agencies become cynical if they have devoted time to a task that has no real impact other than to ask for money
- Strategic thinking is the important part, not the planning

The differences



Strategic planning

- Can be constrained
- Can be narrow focused
- Can be hijacked
- Can be resisted

Strategic Thinking

- Involves thought
- Involves action
- Understands organizational change
- Asks the hard questions when planning and discussing a problem
 - Is it a resource problem?
 - Is it a people problem?
 - Is it a process/system problem?
 - Is it an organizational problem?

Everyone must know



- Everyone has to understand and know what it is and that the initiatives are to achieve it
- Each initiative has to be opened, unpacked so that every department knows their part, and the resources that they will require
- It actually forces departments to talk to each other

Communicate



- Your planning and budgeting are not just financial, they must subscribe to communicate as well
- I have looked at many budgets and there are no notes, no assumptions, no details to capture their thinking. (I'm not a financial guru)
- Your job as the financial guardians is to translate all that properly into general ledger terms so that financials can be produced.

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**OTHERWISE YOU MAY BE SPENDING MONEY
FOR THE WRONG PROJECTS**