

Subject: Targeted Budget Management 2016/17 (Month 2)
Date of Meeting: 27 September 2016
Report of: Executive Director of Finance & Resources
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Wards Affected: All

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT:

- 1.1 Targeted Budget Management (TBM) reports are reported to the Policy, Resources & Growth Committee and referred to the Audit & Standards Committee and the Cross Party Budget Review Group (monthly) to ensure effective member oversight and consideration of the in-year revenue and capital financial performance and associated risks.
- 1.2 The purpose of providing the TBM reports to the Audit & Standards Committee is to:
- provide assurance to the committee that there are appropriate arrangements in place to identify and treat risks;
 - demonstrate that members of the Policy, Resources & Growth Committee are able to make informed decisions on the monitoring of the budget process to ensure the ongoing financial resilience of the authority;
 - provide an opportunity for members to consider whether the information provided to Policy, Resources & Growth Committee as part of the TBM process could be improved.
- 1.3 This report highlights the position as at Month 2 (May) as reported to the 14 July meeting of the Policy, Resources & Growth Committee.

2 RECOMMENDATIONS:

- 2.1 That the Audit & Standards Committee notes the update on the council's in-year financial position and the continuing actions taken to address forecast overspend risks.

3 CONTEXT/BACKGROUND INFORMATION:

- 3.1 The council's financial performance is monitored monthly through the Targeted Budget Management (TBM) process. TBM reports are reported to Policy, Resources & Growth Committee and more frequently (monthly) to the cross-party member Budget Review Group. They are also reviewed monthly by Directorate Management Teams and the Executive Leadership Team.

- 3.2 The TBM framework focuses on identifying and managing financial risks on a regular basis throughout the year. Individual services monitor their TBM position on a monthly or quarterly basis depending on the size, complexity or risks apparent within each budget area. TBM therefore operates on a risk-based approach, paying particular attention to mitigation of growing cost pressures, demands or overspending together with more regular monitoring of high risk demand-led areas.
- 3.3 In summary, as at Month 2, the forecast overspend risk on the council's General Fund was £3.745m as shown below:

2015/16 Outturn Variance £'000	Directorate	2016/17 Budget Month 2 £'000	Forecast Outturn Month 2 £'000	Forecast Variance Month 2 £'000	Forecast Variance Month 2 %
1,926	Families, Children & Learning	53,068	54,145	1,077	2.0%
1,886	Health & Adult Social Care	79,226	82,685	3,459	4.4%
(1,736)	Economy, Environment & Culture	33,201	33,228	27	0.1%
246	Neighbourhood, Communities & Housing	15,467	15,715	248	1.6%
(973)	Finance & Resources	20,040	19,590	(450)	-2.2%
(734)	Strategy, Governance & Law	5,656	5,698	42	0.7%
615	Sub Total	206,658	211,061	4,403	2.1%
(5,395)	Corporate Budgets	7,758	7,100	(658)	-8.5%
(4,780)	Total General Fund	214,416	218,161	3,745	1.7%

- 3.4 The TBM report provides assurance by presenting members with comprehensive and timely information about forecast expenditure compared to budget based on two months of actual expenditure. As well as the summary table above the report provides members with a detailed breakdown for each Directorate (as well as the Housing Revenue Account and Dedicated Schools Grant) which gives details of all the key risks and the steps being taken to mitigate them.
- 3.5 As TBM is a risk based process the report provides members with more detailed narrative descriptions, both in the body of the report and the Directorate appendix, of the pressures and recovery plan mitigations on the key demand-led budgets in Adult Social Care, Children's Agency placements and Homelessness (temporary accommodation).
- 3.6 The report also provides an update on the capital programme (a forecast overspend of £0.312m) and with progress against 2016/17 savings targets. It shows that the substantial savings package in 2016/17 of £20.968m is significantly on track with £20.333m either achieved or anticipated to be achieved.
- 3.7 The minutes of the Policy, Resources & Growth Committee meeting demonstrate that members asked a wide range of questions on information presented in the report.
- 3.8 This report compares to Month 2 forecast risks in previous years of £6.031m in 2014/15 and £9.430m in 2015/16 and therefore indicates a more manageable starting position for the financial year by comparison. Taking into account the

available risk provisions of £3m, the council's financial position is therefore in a reasonable position at this point in the year, however, utilising risk provisions is to be avoided if at all possible as these resources are highly likely to be required for future years as the financial challenges increase.

- 3.9 The report provides members with assurance that the Executive Leadership Team will continue to keep recovery actions under review and that the cross-party Budget Review Group will be provided with appropriate updates on recovery actions to provide members with effective oversight of this corporate risk. It also highlights that there will also be further 'stress testing' of current and future budget proposals including 4-year savings plan proposals to ensure that the 2017/18 budget is developed on a sound footing.
- 3.10 The report concludes that the forecast risk at Month 2, while challenging, should be manageable in the context of the expected level of risk, given that it is early in the financial year with sufficient time to take further corrective action without resorting to indiscriminate spending and recruitment restrictions.
- 3.11 The importance of this message is reinforced by the Internal Audit report on Budget Management (elsewhere on this agenda) which concludes that during 2015/16 the council had effective processes, guidance and training in place to support key aspects of budget setting and monitoring and successfully managed a projected overspend of £8.7m by introducing appropriate emergency spending controls. These arrangements demonstrate that the council can address short term financial challenges but relying on corporate interventions to fund overspending by services:
- undermines the principle that budget holders should be accountable for delivering their budgets, including approved savings;
 - if used repeatedly or over an extended period of time, could expose the council to significant long-term risks because underlying issues may not be properly addressed.
- 3.12 The Internal Audit report also recognises that Finance has supported services that identified overspending risks in 2016/17 to develop recovery plans at an earlier stage of the budget monitoring cycle. The inclusion of these recovery plans in the Month 2 forecasts has contributed to the early position being more manageable than in previous years.

4 EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 4.1 Any overspend remaining at the year-end, after taking account of risk provisions, would need to be funded from general reserves which would then need to be replenished to ensure that the working balance did not remain below the recommended level of £9.000m. Any underspend would release one off resources that can be used to aid budget planning for 2017/18.

5 COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 None directly in relation to this update report.

6 CONCLUSION

- 6.1 The TBM Month 2 report to Policy, Resources & Growth Committee on 14 July highlighted the forecast overspend risk at Month 2 and the mitigating actions being taken. The report provides members with the information needed to make informed decisions on management of the 2016/17 budget monitoring process to ensure the continued financial resilience of the council.

7 FINANCIAL & OTHER IMPLICATIONS:

- 7.1 Included in the body of the report.

Finance Officer Consulted: Jeff Coates

Date: 13 September 2016

Legal Implications:

- 7.2 None directly in relation to this report. Implications relating to TBM Month 2 are detailed in the report to the 14 July Policy, Resources & Growth Committee meeting.

Equalities Implications:

- 7.3 Note directly in relation to this report. Implications relating to TBM Month 2 are detailed in the report to the 14 July Policy, Resources & Growth Committee meeting.

Sustainability Implications:

- 7.4 None directly in relation to this report. Implications relating to TBM Month 2 are detailed in the report to the 14 July Policy, Resources & Growth Committee meeting.

SUPPORTING DOCUMENTATION

Appendices: None

Documents in Members' Rooms: None

Background Documents: None