

Committee: Finance & Administration Committee

Agenda Item

Date: 25 June 2009

10

Title: Budgetary Control Reporting

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Item for
decision

Summary

- 1 This report outlines a revised approach to formal budget monitoring by Members, which the Committee is recommended to endorse.
- 2 The revised approach retains the best elements of previous practice, and introduces important enhancements; such as a focus on the corporate financial position of the Council; a more systematic formal involvement by Members; and adoption of a Rolling Budget, replacing Revised Budget, so that actual income and expenditure is always monitored against an up to date budget.
- 3 It proposed that the revised arrangements be adopted for 2009/10 and adjusted if necessary in light of experience.

Recommendations

The Committee is recommended to endorse the revised budgetary control reporting arrangements as set out in this report.

Background Papers

None.

Impact

Communication/Consultation	SMB, Heads of Division and Committee Chairmen have been consulted on the proposals
Community Safety	None
Equalities	None
Finance	None
Human Rights	None
Legal implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Summary of arrangements in 2008/09

- 4 The following practice was followed in 2008/09:
- Budget Holders received monthly financial information and were asked to review it.
 - Summary service budget information was emailed to all Members every month.
 - Service budget “Hot Spot” reports were received by the Performance Select Committee.
 - The budget was formally restated (“Revised Budget”) in December 2008 as part of a detailed Financial Outlook report received by Full Council.
 - A forecast outturn report was received by Finance & Administration Committee in March.
- 5 The advantages of these arrangements were:
- Information was provided to all Budget Holders every month.
 - Information was provided to all Members every month.
 - Detailed reports were received by Members in December and March.
- 6 The disadvantages were:
- The process did not focus on the corporate ‘bottom line’ financial performance of the Council, and the Housing Revenue Account and Capital Programme were usually omitted.
 - Forecasts of the outturn position were not systematically prepared.
 - The budget was not kept up to date throughout the year to reflect changing circumstances.
 - Strategic Management Board was not formally engaged in the process.
 - Not all budgets were reviewed by Budget Holders each month.
 - Information emailed to Members was incomplete. There was no feedback or questions from Members on the information emailed, and opportunities for formal challenge by Members were limited.

Summary of arrangements for 2009/10

- 7 Monthly budget reports will be issued to Budget Holders. From July, Budget Holders will be required to provide a monthly forecast outturn and variance analysis. Finance staff will facilitate this process.
- 8 Forecast outturn figures and variance analyses will be collated and reported to the Strategic Management Board, where any actions to manage variances will be decided and subsequently monitored.
- 9 Four times per year, forecast outturn figures, variances and actions agreed will be reported to each meeting of the Finance & Administration Committee. The reports will cover the Council's corporate financial position for the General Fund, Housing Revenue Account and Capital Programme. Although the base data for the report will (inevitably) be slightly out of date verbal updates will be provided at the Committee for any significant new issues arising.
- 10 The reports prepared for the Finance & Administration Committee will be issued to all Members for information.
- 11 Finance & Administration Committee may refer issues requiring additional examination to other committees (e.g. Performance Select) at their discretion.
- 12 Every spending committee will receive a report on their own budget during the September and January cycles with a finance officer in attendance. Reports will go to committee meetings in other cycles on an exception basis.
- 13 Based upon the virement rules in the revised Financial Regulations, which provide adequate safeguards and controls, the budget will be revised throughout the year as assumptions and circumstances change. This means that actual expenditure and income will always be compared against a meaningful budget. This is known as "Rolling Budget" and will replace the "Revised Budget" approach.
- 14 Timetables for Committee reports consistent with the above are set out overleaf.

Corporate Council Financial Position

Period ended	Finance & Administration Committee date
31 March 2009 (2008/09 outturn)	25 June 2009
31 July 2009	24 September 2009
30 September 2009	26 November 2009
30 November 2009	28 January 2010
31 January 2010	25 March 2010
31 March 2010 (2009/10 outturn)	24 June 2010 (date to be confirmed)

Policy Committee budget monitoring

Period end	Community & Housing Committee date	Development Control Committee date	Environment Committee date	Finance & Administration Committee date	Licensing Committee date
31 Jul 2009	17 Sep 2009	23 Sep 2009	15 Sep 2009	24 Sep 2009	16 Sep 2009
30 Nov 2009	21 Jan 2010	13 Jan 2010	19 Jan 2010	28 Jan 2010	20 Jan 2010

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The new arrangements are not satisfactorily implemented	1	2	Management control by Chief Finance Officer. Overview by Strategic Management Board and Finance & Administration Committee.
The new arrangements do not effectively monitor the budget	1	3	As above.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.