

**Committee: Performance Select**

**Agenda  
Item  
5**

**Date: 12<sup>th</sup> June 2007**

**Title Proposed Improvements to Budgetary Control**

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Item for note

**Summary**

1. This report outlines the key actions proposed to improve budgetary control within the Council. The report is brought to the Committee following a request made at the Committee's meeting on 18<sup>th</sup> April 2007.

**Recommendation**

2. That the Committee notes the contents of this report.

**Background Papers**

3. Budget Book 2007/08.Reports to Full Council February, April and May 2007.

**Impact**

Communication/Consultation	No specific implications
Community Safety	No specific implications
Equalities	No specific implications
Finance	This report is about improving control of the Council's budgets
Human Rights	No specific implications
Legal implications	No specific implications
Sustainability	No specific implications
Ward-specific impacts	No specific implications
Workforce/Workplace	No specific implications

**Situation**

4. The Council has a long-term track record of good budgetary control, with very few significant overspends. However, in the financial year 2005/06 the General Fund overspent by £333,000 (4.5% of budget), mainly due to income being lower than projected. Furthermore, the 2006/07 revised General Fund budget had to be increased by approximately £700,000 to deal with six significant adverse variations on budgets, although each of these was largely unavoidable. The main criticism that could be made of what happened was the lack of early enough communication of the potential problems to members in a structured format and the lack of strategies being developed to identify compensating savings.

5. The Audit Commission's latest Use of Resources scores for the Council gave an overall theme score of 2 ('adequate performance') for financial management and said that 'the Council has effective budgetary control monitoring in place'. Nevertheless, the Council wishes to improve performance in this area.
6. Improved budgetary control is even more important in the current financial year when several difficult challenges face the Council in delivering its agreed General Fund budget. The following is a summary of the savings built into the budget and which need to be achieved:

Type of saving	Savings target in 2007/08 £	Timescale/action
Officer restructuring	130,000	Report to go to Full Council in July 2007 with details.
Procurement savings	72,000	Sum already taken from budgets. Work proceeding to get managers to buy via Essex Procurement Hub where appropriate.
Staff turnover savings	472,000	Sum broken down into individual budgets. Heads of Division meetings to collectively approve filling vacancies. Ongoing monitoring of progress.
Organisational re-engineering	246,450	Revenues and Benefits and Housing elements to be implemented shortly. Remainder of programme to be re-focused on quick 'cash' wins.

7. In addition to these savings targets there remains a shortfall of £39,070 from the supplementary budget savings exercise associated with the shortfall in the Local Authority Business Growth Incentive Scheme (LABGI). Details of the savings that have been achieved, totalling £260,930 were reported to Full Council on 22<sup>nd</sup> May and further work is in hand to identify ways to meet the balance.
8. All of the various savings targets are included in budgets and have been discussed with budget managers. Information to allow regular budgetary control to take place is issued on a monthly basis and managers have access to on-line budgetary control information.
9. The procurement target should be achievable as it is relatively small and plans are advanced in many areas to save such a sum. The officer restructure target will be achieved in terms of ongoing savings beyond 2007/08 but there must now be a doubt about the full year effect being achieved in 2007/08 as the restructure has yet to be completed. Any such shortfall will need to be made up by other measures.

10. The most challenging target is in relation to staff turnover, which represents 5% of staffing budgets. This will be achieved throughout the course of the year and cannot therefore be demonstrated as having happened. However, managers are already keeping posts vacant due to the awareness to achieve the target and decisions on whether to fill posts are being made at the Heads of Division meeting. Progress will be monitored during the year.
11. The organisational re-engineering programme, while proving effective in identifying savings possibilities has slipped but the effects of this will be countered by bringing some 'quick win' areas into the programme.
12. In summary, the procurement target and the staff turnover target are now being dealt with under routine budgetary control. The restructure saving may need to be supplemented by some further savings to achieve the target in 2007/08 but should still be achieved in ongoing full year effect terms. The organisational re-engineering target is behind schedule but there are plans to recover the position.

#### Action Plan

13. Appendix 1 attached to this report is an action plan showing the main steps required to improve budgetary control. There are many sub streams to this plan and also many other ways in which budgetary control can be further enhanced in the long term (e.g. by linking financial data with performance data as part of the routine information which managers receive) The action plan does however represent the main areas being worked on in the current year.

#### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Failure to improve budgetary control processes	Low, as this is seen as a corporate priority and plans are in hand to take the appropriate action	High, as this will cause increased pressure on the Council's Medium Term Financial Strategy and reserves	Priority to be given to this by Financial Services, Strategic Management Board and all budget managers
Failure to achieve the full budget savings required in 2007/08	Medium, as some elements of the savings required are already slipping	High, as this will cause increased pressure on the Council's Medium Term Financial Strategy and reserves	Priority to be given to this by Financial Services, Strategic Management Board and all budget managers