

Subject:	Targeted Budget Management 2016/17 (Month 2)		
Date of Meeting:	15 November 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 5 (August) as reported to the 13 October 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 5, the forecast overspend risk on the council's General Fund was £3.916m as shown below:

2016/17 Month 2 Variance £'000	Directorate	2016/17 Budget Month 5 £'000	Forecast Outturn Month 5 £'000	Forecast Variance Month 5 £'000	Forecast Variance Month 5 %
1,077	Families, Children & Learning	53,068	54,086	1,018	1.9%
3,459	Health & Adult Social Care	79,926	83,828	3,902	4.9%
27	Economy, Environment & Culture	33,395	33,126	(269)	-0.8%
248	Neighbourhood, Communities & Housing	15,695	15,945	250	1.6%
(450)	Finance & Resources	20,657	20,340	(317)	-1.5%
42	Strategy, Governance & Law	5,643	5,713	70	1.2%
4,403	Sub Total	208,384	213,038	4,654	2.2%
(658)	Corporate Budgets	7,449	6,711	(738)	-9.9%
3,745	Total General Fund	215,833	219,749	3,916	1.8%

- 3.4 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.
- 3.5 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.
- 3.6 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).

- 3.7 The report also provides an update on the capital programme (a forecast overspend of £0.424m) 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 £18.789m either achieved or anticipated to be achieved.
- 3.8 The draft minutes of the Policy, Resources & Growth Committee meeting demonstrate that members asked a wide range of questions on information presented in the report.
- 3.9 The report provides members with assurance that the Executive Leadership Team will continue to keep recovery actions under review. In addition the cross-party Budget Review Group will be provided with appropriate updates on recovery actions and monthly TBM reports to provide members with effective oversight of this corporate risk. During October there were a series of workshops which undertook 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 5, while challenging, would appear to be manageable in the context of the expected level of risk and given that there is still sufficient time to take further corrective action. However, the underlying pressures on social care are of concern and suggest that demand management alone will not bring the budget into balance. Services will therefore revisit financial recovery plans and consider what further spending restrictions and savings can be identified to address the current risks. Consideration will also be given to bringing forward savings proposals already identified in the 4-year Integrated Service & Financial Plans where practicable and subject to necessary approvals.

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: 3 November 2016

Legal Implications:

- 7.2 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the 13 October Policy, Resources & Growth Committee meeting.

Equalities Implications:

- 7.3 None directly in relation to this report. Implications relating to TBM Month 5 are detailed in the report to the 13 October 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 13 October Policy, Resources & Growth Committee meeting.

SUPPORTING DOCUMENTATION

Appendices: None

Documents in Members' Rooms: None

Background Documents: None